



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Thursday, 29th October 2015

*All published Official Reports can be found on the
official States of Guernsey website www.gov.gg*

Volume 4, No. 31

ISSN 2049-8284

*Published by Her Majesty's Greffier, The Royal Court House,
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Present:

Mr Richard J McMahon, Deputy Bailiff and Deputy Presiding Officer

Law Officers

H. E. Roberts Esq., Q.C. (H.M. Procureur)

People's Deputies

St Peter Port South

Deputies P. A. Harwood, J. Kuttelwascher, B. L. Brehaut,
R. Domaille, A. H. Langlois, R. A. Jones

St Peter Port North

Deputies M. K. Le Clerc, J. P. A. Sherbourne,
R. Conder, L. C. Queripel

St Sampson

Deputies G. A. St Pier, K. A. Stewart, P. L. Gillson,
P. R. Le Pelley, S. J. Ogier, L. S. Trott

The Vale

Deputies M. J. Fallaize, L. B. Queripel, M. M. Lowe,
A. R. Le Lièvre, A. Spruce, G. M. Collins

The Castel

Deputies D. J. Duquemin, C. J. Green, M. H. Dorey,
B. J. E. Paint, J. P. Le Tocq, S. A. James, M. B. E., A. H. Adam

The West

Deputies R. A. Perrot, A. H. Brouard
D. de G. De Lisle, Y. Burford, D. A. Inglis

The South-East

Deputies H. J. R. Soulsby, R. W. Sillars, P. A. Luxon,
M. G. O'Hara, F. W. Quin, M. P. J. Hadley

Representatives of the Island of Alderney

Alderney Representatives L. E. Jean and S. D. G. McKinley, O. B. E.

The Clerk to the States of Deliberation

S. M. D. Ross Esq. (H.M. Senior Deputy Greffier)

Absent at the Evocation

Miss M. M. E. Pullum, Q.C. (H.M. Comptroller);
Deputy A. B. Gollop (*relevé à 9h 32*); Deputy E. G. Bebb (*relevé à 10h 40*);
D. B. Jones (*indisposé*); Deputy A. M. Wilkie (*relevé à 11h 45*);

Business transacted

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States of Deliberation

The States met at 9.30 a.m.

[THE DEPUTY BAILIFF *in the Chair*]

PRAYERS

The Senior Deputy Greffier

EVOCATION

Billet d'État XIX

Annual Budget of the States for 2016 – Debate continued

The Senior Deputy Greffier: Billet d'État XIX – continuation of the debate.

The Deputy Bailiff: Greffier, while you were calling the roll, Deputy Gollop arrived. Do you wish to be relevé Deputy Gollop? So we will note Deputy Gollop's presence.

5 Deputy Duquemin.

Deputy Duquemin: Thank you, Mr Deputy Bailiff.

10 Let me start by saying that I am grateful to Deputy Collins for bringing this amendment, and helping kick off a very important debate on the importance and the impact of sport. Deputy Collins is perhaps right in arguing that we should debate sport more in this Assembly, and I am happy that the guillotine did not cut short another important debate, and that the new Education, Sport & Culture Committee will hopefully get a steer from and learn from this debate. Even if at times yesterday the debate became a bit tetchy, maybe even a bit ugly and did not reflect well on sport, the topic it was trying to celebrate and elevate.

15 I will be a little bit more conciliatory than my Minister at C&L, although Deputy O'Hara's tone did mellow a little during his speech, but there are some important points that I would like to add to the debate which will explain why I, like others, can support part of the Collins/Fallaize amendment but sadly not all of it.

20 In conversations some colleagues have referred to the Collins amendment as benign, in the same conversations and in discussion at the C&L board table, I have referred to the amendment by a sporting analogy as an amendment of two halves. I cannot support the first half because it is certainly not benign, but I can and will support the second half in the hope that, somewhat perversely, it is not benign but does in the future have a significant impact on how and why we fund sport on this Island. Yes, a firecracker of sorts.

25 Deputy St Pier did not feel the need to thumb the pages of his thesaurus, but I am glad that he clarified T&R's decision not to oppose the amendment should not be seen as support, and speaking at the start of this debate he did expose some of the amendment's shortcomings.

When Deputy Collins first mooted this amendment, he spoke of increasing Culture & Leisure's budget by £250,000 – a quarter of a million pounds – so that this money could be directed to sports. Indeed this was the premise – or perhaps that should be *promise* – on which Deputy Collins was able to garner the letters of support from sports associations that he shared with us. The figure of £250,000 was even highlighted in the letters.

When Deputy Collins provided a draft of the amendment to the C&L Board and also the Guernsey Sports Commission earlier this month, the decimal point had effectively moved, but it still called for an increase of £30,000 to the C&L budget to fund sport, as well as directing exactly where this money would be spent. When the final version of the amendment was submitted there was no increase in the budget of C&L but – and here is the but – it still calls for:

'... Culture and Leisure Department to do everything reasonably possible to increase the funding it provides for sport when allocating its 2016 budget...'

... everything reasonably possible – *but* from the same pot of money.

No more money for C&L, but we are being told to find more money for sport. Stating the obvious, if C&L is to increase the funding it provides to sport we will need to rip up our Budget plan for 2016 and reduce – yes, reduce – the amount of funding elsewhere.

An increase for sport would likely mean a reduction for arts; an increase for sport would likely mean a reduction for the Guernsey language; an increase for sport would likely mean a reduction for heritage, and so on. When you drill down yet further, an increase in the funding of the Guernsey Sport Commission, which is what Deputy Collins has consistently focussed on and seeks to achieve, would likely mean C&L has less to spend on sport elsewhere, such as at Footes Lane and Beau Séjour.

All States' Members were cc'd in an email conversation between a former Chair of the Guernsey Arts Commission, Deputy Collins and Deputy Burford yesterday evening. Deputy Burford hit reply before I could but said exactly what I would have said, and I ask Members to remember the obvious logic of her reply before they vote today. If the amendment is passed, and we assume that C&L will make genuine efforts to adhere to what would be a pretty clear instruction given to it by the States, this is anything but what some might trail as a benign amendment, and it will have consequences – serious consequences.

Remember the words of the amendment, 'do everything reasonably possible'. Would the Guernsey Sports Commission want its budget to increase by C&L slashing the budget of the Guernsey Arts Commission, slashing it without any rationale or justification whatsoever, just a big red marker pen through what was already a well-considered structured departmental budget? I do not think they would, or I hope they would not.

Deputy St Pier spoke about the FTP savings achieved by C&L, which were greater than many other Departments, but it is important to stress and clarify that whilst we hit our targets, there was not a blanket 10% target figure. Our target was greater because of the Beau Séjour outsourcing project. Whilst we hit our targets we did not exceed them, and the grants to the Guernsey Sports Commission were not reduced at any time during the FTP programme.

Sir, I cannot support the first half of the amendment, but I will if able to vote separately on the two parts, wholeheartedly support the second half of this amendment. I genuinely applaud Deputy Collins and Deputy Fallaize for including this element.

Moving on to the new Proposition 33. Yes, we need to establish what is the appropriate amount of money that the States should spend on sport – the funding requirement referred to in the words of the amendment. I will use this opportunity to question whether simplistically, crudely, benchmarking us against Jersey is the best and most appropriate analysis, because it is not just how much you spend it is how you spend it. (**A Member:** Hear, hear.)

Deputy Collins' assertion that we are spending less *per capita* than our neighbours... well, I know from my contact with politicians, civil servants and the sports themselves on our sister Island, that they are very, very envious of the set-up that we have in Guernsey, and the third sector partnership that we created with the Guernsey Sports Commission and the difference that it

makes. It was before my time, but perhaps the States as a whole should blow its own trumpet and take credit for setting up the Guernsey Sports Commission.

80 I repeat, it is not just how much you spend it is how you spend it. I know from a senior civil servant in Jersey that it is probably only a bit of inter-Island pride that stops them from creating a replica, a carbon copy, their own Jersey Sports Commission. So we should not think the grass is always greener – or should that be redder? – over there.

85 Sir, as a commissioner on the Guernsey Sports Commission, C&L's political representative, attending the Commission's monthly meetings, I am immensely proud of the work that the team does. And what is clear to me, with the benefit of this close insight, is that the Guernsey Sports Commission's relationship with the States needs to be more expansive and perhaps, *perhaps*, more expensive too. By more expansive I am amplifying a theme raised by Deputy O'Hara and I think also Deputy Gollop.

90 I mean the Guernsey Sports Commission should have bespoke service level agreements with a number of the new States' committees post-May 2016, not just Education, Sport & Culture, where there is, could be, or should be, a proven long term benefit of a 'spend to save' initiative. This return on investment would be enjoyed by Health, Home and others. There should be fit for purpose SLAs and appropriate investment made by these committees to recognise the Guernsey Sports Commission's contribution, when they play a key role keeping people out of hospital and out of prison.

95 This must happen and could be the catalyst for an enhanced budget and enhanced outcomes. I know that this has already been discussed by both C&L and the Guernsey Sports Commission. We should be asking not what this Island can do for sport, but we should be asking what sport can do for this Island and how we can make that happen. That is the mind-set we need to have at the end of the mini debate.

100 I would also like to use this opportunity to highlight and to stress that Government – the States' – spending on sport is not just confined to the grant the States provides to the Guernsey Sports Commission. Money currently spent by Culture & Leisure providing facilities at Beau Séjour and Footes Lane – swimming pool, basketball courts, netball courts, running track, etc. to name just a few of our venues – is an example of sports funding in real pounds, shillings and pence by this States. Furthermore, money currently spent by the Education Department on sports facilities, new and old within their Estate, that are enjoyed during the curriculum and also outside of this by the community sports clubs and others, are another example of Government funding sport. All of this funding that is directed to sport, needs to be accounted for in the round if we are to see, learn and understand the correct picture.

110 Mr Deputy Bailiff, the first half of the amendment's new Proposition 32 says, as apparent fact:

'... there is a pressing need to increase public investment in sport;'

This is not fact. The reality is we do not know – *we do not know*. We want and we need evidence to support, or counter, what is a very alarming message contained in the words of the amendment. I stress again it is not just how much is spent, it is how it is spent.

115 Mr Deputy Bailiff, in summary this is an amendment of two halves. The first half is certainly not benign and should not, cannot, be supported. The second half is much-needed and should herald a new enhanced relationship between sport, the Guernsey Sports Commission and the States as a whole, not just solely with Culture & Leisure, or the new Education, Sport & Culture Committee, but with all relevant States' committees.

120 In this amendment of two halves the new Proposition 32 is a mistimed, misjudged, unfair tackle – and should be shown the red card. But there is a bigger goal encapsulated in Proposition 33 and we should give the second half of the Collins/Fallaize amendment, and sport on this Island – *and sport on this Island* – our full support.

Thank you, sir.

125

The Deputy Bailiff: Deputy Luxon to be followed by Deputy Green, to be followed by Deputy Domaille.

Deputy Luxon: Thank you, Mr Deputy Bailiff.

130 Sir, can I just declare an interest in that I have been a Guernsey Sport's commissioner for the last seven years, and ironically responsible for fundraising for the Sports Commission.

Just a quick comment: the Guernsey Sports Commission was very reluctant to get involved in either supporting or not supporting any of these issues, because it felt that it should not do so. However, it has written to Deputy Collins to support both parts of his amendment.

135 The Sports Commission has had 10, 11 very successful years, and has in fact just finished writing a new 10-year strategy which it has shared with Culture & Leisure, but would welcome the review that Deputy Duquemin has just referred to.

140 But, sir, talking as HSSD Minister I would like to echo the elements that Deputy Collins covered in his opening speech and indeed those that Deputy Sillars, as Education Minister, covered. So I will not repeat all of the reasons why exercise, sport, activity and healthy lifestyle would be good both for the children of our Island and indeed adults. It is obvious. And the issues faced by HSSD across its mandate in terms of the health of our Island would be well-supported by a healthy and fitter population.

145 So HSSD, absolutely, would support the benefits of increased investment in sport and activity within the Island. But equally I, personally, will not be able to support the first part of the amendment because it interferes too much in a Department's mandate which is already well-structured, and would impact on those other areas. But I would welcome the review.

So I would ask Members absolutely to support the second part – if it is possible that we can take them separately – but not to support the first part.

150 Thank you.

The Deputy Bailiff: Deputy Green.

Deputy Green: Thank you, Mr Deputy Bailiff.

155 Firstly, I think Deputy Collins deserves credit for pursuing this amendment. He has shown admirable passion in his opening speech on this and I think he does deserve credit for that.

160 A Member yesterday suggested, I think it was Deputy Lester Queripel, that this amendment was, in substance if not in form, a kind of vote of no confidence in Culture & Leisure. I do not think that is right – I really do not think that is right at all. I think this is an appropriate amendment and it is nothing more and nothing less than that.

165 Like others – like Deputy Duquemin and Deputy Luxon who just spoke – I strongly support the second element of this amendment but I do have some serious reservations about the first element. The new Proposition 32 would, on any sensible analysis, imply that Culture & Leisure would have to prioritise extra sport investment over and above the arts or heritage, or all other areas. I am not sure that is a terribly attractive idea for many people. The arts are in my view, equally as worthwhile as sport and it should not be a competition in any event. Any analysis of the new Proposition 32 must conclude that by that element of the amendment Culture & Leisure are being encouraged to cut money to other areas of their responsibility in favour of sport, and I am not sure that is wise at this stage before the strategy has been framed. I am not sure that is necessarily the best way forward.

170 As I say, the second aspect and the new Proposition 33 is, however, much more attractive. We know that the Sports Commission has not had additional funding from this Government since 2004 – that is quite remarkable, I think – and we also know that the Sports Development Fund has seen no increase for many, many years. I am a big supporter of the Sports Commission. The Streets Sports initiative, for example, is an excellent example of how the Commission model can reach out effectively into communities, such as the Genats Estate, and make a real difference to

young Islanders' lives. So there is some fantastic work going on in our community via the Sports Commission.

180 Having said that, I think it is fair to say as a Government, that at some stage we should perhaps look rather more closely at asking, perhaps in partnership with the Sports Commission, to provide some clear evidence base for measuring the actual impact of its work, if it is to continue to receive public monies – perhaps bigger amounts of public money – in the future. Measurement of impact is one of the KPI's that we often look at and I think that should apply to the Commission.

185 But the main point that I wish to make in this debate is this: that any potential sports strategy should not be purely for younger Islanders, or for elite athletes, or sports players. And maybe any such strategy really ought to be for more than just sport activity, *per se*, as well.

190 Sir, in my capacity as the political representative for Ageing Well in the Bailiwick I think the point needs to be made that sport and physical activity are not purely the realm of young elite athletes (**A Member:** Hear, hear.) Physical activity and exercise have a key role to play in helping the whole population stay healthy, energetic and independent as they get older. Many, not all but many, adults aged over 65 spend on average 10 or more hours each sitting or lying down. Inactivity of that sort can and will have an impact on health outcomes.

195 There is strong evidence that people who keep active will have a lower risk of heart disease, stroke, type two diabetes, some cancers, depression and dementia. The advice is that older people should aim for at least 150 minutes of moderate activity every week. Examples of moderate intensity aerobic activity can include walking quickly, (**Two Members:** Hear, hear, hear, hear.) water aerobics ... there seems to be some support for walking quickly!

200 I know my good friend, Deputy Conder, is a great example of somebody who carries with him... (**A Member:** A pedometer!) a pedometer, sir, which allows him to track every step that he does. And he is a great example to the community of an *older* member of our community (*Laughter and interjections*) who ... Yes, as I was saying, sir, moderate intensity aerobic activity which can include walking quickly, water aerobics, riding a bike or even pushing a lawnmower. None of those particular activities are necessarily sports in themselves but they could, and perhaps should in my view, be part of any constructive and strategic approach in this area.

205 So, sir, in summary, I support the idea of a comprehensive strategy in this area. [We should try to ensure that any such strategy is not too narrowly-focussed on the young or on the elite, and we should aim to enable the strategy to empower all members of our community to age well in the Bailiwick. On balance I will probably support the amendment, even though I do have some reservations about the new Proposition 32, but hopefully we can have a separate vote at the end – and I would propose to vote for the new Proposition 33, but not the new Proposition 32, at the end.

Thank you, sir.

215 **The Deputy Bailiff:** I was going to call Deputy Domaille next, and then after that I am going to call Deputy Fallaize if he still wants to speak and then Deputy Inglis.
Deputy Domaille.

Deputy Domaille: Thank you, sir.

220 I will be very brief. I have to start by saying I am not really sure this is actually a Budget matter. I am a bit confused as to why we are debating this under the Budget heading but, be that as it may, we have spent a long time on it so other people must think it is worthwhile. I think the point is, I am not going to vote for the first part of Proposition 32. I think the reasons for that have been well made by many speakers, let's just leave it at that.

225 Actually I totally agree with the need for a comprehensive sports strategy linked in with all our other Island initiatives. We have heard all that and I have no problem with that whatsoever – I absolutely agree with that. My problem is that I do not think we are being very realistic.

I think we have got to remember that we will have a new system of Government from May next year. We are going to have these brand new committees, with a brand new Civil Service

230 structure sitting behind them, and I think to be setting out something like this and setting a
deadline of July 2017 is unrealistic.

I really would like to see the new Education, Culture & Leisure Department being able to home
in on everything they are going to have to do. We are going to be having a major Education
debate in March, there is going to be a lot of work for it to do and I really do not think it is going
to be able to home in and focus in on this. All the Members that were new to this Assembly, I am
235 sure, would agree with me and say it takes six months to understand what is going on. (**A
Member:** Six years!) Six years in my case, yes. (*Laughter*)

So I do not think we are being very realistic and I am really not sure we should be sending out
a message and going home today thinking we have done something, because I am not sure we
240 *have*.

Thank you, sir.

The Deputy Bailiff: Deputy Le Tocq, then.

The Chief Minister (Deputy Le Tocq): Sir, I rise just to do some moderate exercise really
245 (*Laughter*) because I was feeling guilty after Deputy Green's speech – and I think I will move
around a little bit while I talk. (*Laughter*)

Seriously, I agree totally with Deputy Domaille this is not a budget issue, and whilst I think it is
an important issue and I am very happy to debate it, I really think that this should not have been
brought up at this time. Someone could have equally put a similar proposal together on Guernsey
250 French language, for example, in support of that.

It is an important issue and I underline the need for us to find – and continue to find – creative
ways of encouraging healthy living, and sport is definitely a huge part of that in our Island. We
should be very proud of it but I encourage Members not to spend too long on this because I do
think it is too prescriptive and it should not be being debated at this particular juncture.

255

The Deputy Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, sir.

260 Yesterday Deputy Lester Queripel read out a list of Guernsey sports champions and I would
like to add one more to that: a guy called Tristan Perkins who was recently crowned the Guernsey
junior golf champion and indeed represented the Island outside these Bailiwick waters. Now, sir,
you may ask what relevance has that information got to this debate? Absolutely none! (*Laughter*)
But I did only take about 30 seconds to state it.

That is my point and it has been made again by the Chief Minister and indeed Deputy
265 Domaille. We are debating an amendment which has got *absolutely nothing* to do with the Budget
Report for 2016 – which we are entitled to do.

The Treasury & Resources Department, when they were presented with this were somewhat
bemused – well I was and I thought, 'That has got nothing to do with us, how can we oppose it? If
the States want to debate it, not a problem'.

270 But that cannot be translated as support – and it is not. So I want to explain that, because I do
not feel this amendment should have been brought against the 2016 Budget Report – it should
have been brought as a requête, and a long time ago – I will be abstaining from the vote.

Thank you, sir.

275 **The Deputy Bailiff:** Deputy Inglis to be followed by Deputy Brouard.

Deputy Inglis: Thank you, Mr Deputy Bailiff.

I am in agreement with Members who have now identified this is not the time or the place to
discuss this. But I am grateful to Deputy Collins for bringing this to our attention, albeit we seem
280 to have taken up a long time over it.

He did raise a couple of issues yesterday that makes the Department feel that it should justify the claim in Proposition 32, that we 'do everything reasonably possible to increase the funding'. Now, we have not got any money. We can spend money if we appropriate it from other commissions, as Deputy Duquemin has said. It is a very limited purse that we have to administer.

285 We mentioned through our Minister yesterday about the Events and Marketing: that is money that Policy Council feed through Commerce & Employment directly to Culture & Leisure and I happen to head it up. Now, every year it is diminishing and every year there are challenges brought forward by four particular groups within our community, where we have to administer £175,000. It is clear to say that sporting organisations – for those that have been involved them –
290 some are run well, some are run badly; and some need to learn from the suggestion that Deputy Collins is saying in putting forward a strategy, to understand exactly how you can get the best out of your money and how you can favour Government into supporting you.

So that element, from Events and Marketing viewpoint... there is money there that we can administer to sport, but they are not proving the case. And certainly through Commerce &
295 Employment, they wish to get as much value for every pound the taxpayer invests within our community – and that is essential. So putting forward a business case for some sports can be very difficult. So there is a learning curve here and I hope that out of this we can give guidance to sport and help in assisting them achieve some money.

I just want to hit you with a couple of big numbers... we are constantly told the States of
300 Guernsey does not put money into sport. Now, I have taken a benchmark over five years and if you consider the grants that are passed on – the staffing, the benefits in kind – we, the taxpayers, have provided £1.875 million to develop sporting opportunity in this Island.

Now, if I took hold of my very good friend Deputy Trott's calculator, I could round that up to
305 £2 million. (*Laughter*) It is a moving target, we cannot value benefit in kind, we know that there are a lot of people out there that give presence to sport. So it is important to mention that, because as a Department we have to look after a lot of areas and sport is part of that. We would love to give £2 million to sport but it does not work that way.

When you look at the infrastructure over five years – as Deputy Duquemin has mentioned –
310 football, hockey, athletics, basketball, tennis, badminton and volleyball have all had upgrades in that five-year period and we, the taxpayer, have invested over £1 million. So there is money being spent on sport. What is very clear from this is that 30 sports have acknowledged that they want more money and it is the nature in which they want money that works against them. So in terms of Proposition 32 I cannot support that, for the reasons I have just explained.

But when we move on to Proposition 33, I think there is huge merit in going out and talking
315 with all Departments, taking in all areas of our community. As you can see I am moving round as regularly as I can so I can ensure I am taking in exercise... But there is just one comment I would like to make to Deputy Collins, in that he was a bit disingenuous yesterday in the way he promoted the number of papers that have come to this Assembly reflecting the work of various Departments. I do not feel that is a good benchmark because from our point of view, within the
320 department, we have a huge mandate. I think if my memory serves me right, when T&R came to sit in on one of our board meetings they were absolutely taken aback as to the length and breadth of what we do.

Ironically – and I am unsure whether Deputy Collins was at the meeting when we did present
325 our one-and-only strategy – the States were very supportive in giving us the opportunity to generate a revenue stream through the Lottery that can benefit sport. So there is something there that we can develop, but we need to investigate it in very much the way that Proposition 33 comes across.

So with that being said, Members, I would ask you to support 33 but reject 32.

Thank you very much, sir.

330

The Deputy Bailiff: Deputy Brouard, to be followed by Deputy Sherbourne.

Deputy Brouard: Thank you, sir.

335 A couple of things. One of the things I find a little bit confusing is the disconnect in the first part of this amendment, where I think the original letters that went out were seeking, or were being offered, the chance of quite large sums of extra funding. I just wondered if those letters would have been written the same way if the funding was going to come from somebody else in sport, or some other part of our Government organisation.

340 So perhaps if the proposer or seconder would just give some clarification as to what was actually offered to the sporting organisations? Obviously if you write to the badminton club and say 'Would you like some extra money for sport, or to fund people to go away, or to start up an old age pensioner club?' or something... of course, they are going to say 'Yes, we could do it and use it well.' So it would be very interesting to know what was actually offered to them, because I think the offer that has come forward is different to what they were actually proposed.

345 Another thing that I thought was interesting, it was mentioned in the first part here, the pressing need to increase public investment, but don't we get a fantastic amount of sponsorship from the private sector? Aren't they one of the stable parts of it? I think the Government funding should be more like seed corn, and then to build with the community and get businesses involved and private people involved. I think it would be nice if we could just have some acknowledgement of the fantastic amount of sponsorship that companies give to sport.

350 Just finally very quickly, sir, if the proposer or seconder would just give some vision of what success looks like on the first part of the Proposition. What does it mean in actual fact? The explanatory note says 'no increase in expenditure to the States'; so what does success look like if anyone was so minded to actually pass the first part of it, sir?

355 Thank you.

The Deputy Bailiff: Deputy Sherbourne.

Deputy Sherbourne: Thank you, sir.

360 I shall be as quick as possible. I would like to thank Deputy Collins for bringing this forward. It is the first time in 3½ years that we have had an opportunity to talk about the benefits of such facilities and opportunities, that Island people have. I thank Deputy O'Hara for – although it was rather a long list yesterday and it took a long time – it is a reminder of exactly what is available to Island people. We punch above our weight in terms of performance, but we also provide opportunities for the community which I doubt could be bettered anywhere in the United Kingdom.

370 I think also, to take up the point that Deputy Brouard made, that this is to do with the Budget, because in fact to recognise the contribution of the private sector, the reason that we punch above our weight is simply because of the investment of private individuals, of companies, of businesses in the Island that have invested. They have actually made an incredible contribution.

375 But of course there is a down side to it, in that very often they are driven by an elitist approach towards sport – and that is admirable in that we want to see people performing to the highest levels possible. What I am a little bit concerned about is that very often we lose sight of the benefits to the whole community starting from very early age, and that is where I think there is great need for a strategy that actually recognises that.

380 I would also like to add that in terms of the mental health and the wellbeing of the people of the Island, we must include the other Commissions in our deliberations. This is specifically about sport, but of course we have the cultural aspect of the arts and performing arts. We have the Youth Commission and the work there, they are an incredible credit to this Assembly that they have been allowed to develop and to take on the mantle, the responsibility, that they actually have done. I want to see that enhanced and I think our role should be the co-ordination, the service level agreements that could come out of the sort of proposal, although specifically on sport, could be extended to other areas that actually provide for the wellbeing of this Island.

385 So like many that have spoken, I will not vote for the first Proposition, but certainly support the second.

Thank you, sir.

The Deputy Bailiff: Deputy Lowe.

390 **Deputy Lowe:** Sir, I will be brief.

Certainly with this amendment... I mean you could go out and ask anybody whether in sport, whether you are in arts, whether you are in charities, whether you are a States' Department, 'Would like more money?' I doubt you would find anybody that will say, 'No I cannot take any more money because I will not be able to spend it'. But ask me, I can spend it.

395 So I think we have to be realistic here. I have great concerns about the how the question was asked, and what would be the need. And I think, certainly reading some of those responses, some of them were actually quite responsible in their response and are saying, 'Well, in an ideal world we could do with more money' but obviously they recognise that there is not the money in the pot like there perhaps used to be. Equally, sports themselves go out and raise their own funds.

400 The point that I want to raise – which is two points. First of yes, sports is very good for most people, it is very healthy; but there is a cost to that, and certainly about five or six years ago when I broke my arm, and I was in A&E speaking to the gentlemen and the staff – they make you better put on plasters, put on boots, and everything else that they do – they said their work has gone up by a tremendous amount with sports injuries. They have a lot more sports injuries now than they
405 ever used to have, because people are out there carrying out sports.

There are many in this Chamber through sports that we have taken part in, as States' Members, that have ended up wearing boots and things because they have injured themselves. So you are fully aware of some of the injuries. So there is a cost as well to this, which should be calculated in as a cost to HSSD budget that perhaps would not have happened if we were not all trying to be
410 so healthy. I think it is much better to watch a health video, like a diet video, on the telly and see if it works just sitting in the armchair – but it does not always work.

The point for me is the strategy, because it says very clearly here about going out and looking for a strategy. I am 'strategied-out', and I think we have all had enough of strategies. However, if that is the way to go down the route, yes, it is good to have a strategy. But every time we do a
415 strategy remember you are taking staff away from their work that they are trying to get on with, because we have reduced staff numbers, and we have to find the resources somewhere in a Department for somebody to go away and produce a strategy.

The reason I raise my concerns about that is for the staff resources in States' Departments. Please make sure you work very closely with the Sports Commission. The Sports Commission was
420 set in place in 2004, some of us were in the States at the time, and I think I was also on recreation at the time. It was set up for very good reasons, it has done an excellent job and it was not only to help promote sport, but it was also recognised that funds would be more easily available to a Sports Commission than to a States' Department, and they felt quite capable and able to get out there and get more money to put into sport, and they have succeeded in that.
425 Certainly, that is the route that the States wanted to go down and the Sports Commission recognised that they could come up and achieve that by getting more money into sport.

But the strategy part of it, and I draw Members to the Guernsey Sports Commission website, and it reads as follows:

'The Guernsey Sports Commission conduct a facilities strategy every two years.'

430 So we are not talking of a strategy that is out of date – every two years the Sports Commission take out a facilities strategy.

'This allows us to get an accurate level of information of existing participation and facilities. It enables us to evaluate and assess the quality of existing facilities and any maintenance requirements. It assesses the sufficiency of existing

facilities and to evaluate deficiency of facilities and what may be required, and to inform other interested parties of needs, requirements and the importance of sport and required facilities.'

I do not think we should lose sight of that, there is a lot of work that already takes place and we should not be going down the route of when this strategy is looked at that we do not incorporate the Sports Commission, but we actually ask *them* for the work that they actually carry out in a very good manner as a charity and are very successful. Thank you, sir.

435

The Deputy Bailiff: On the basis that the Minister of the Treasury & Resources Department has already spoken, I turn to the proposer of the amendment, Deputy Collins, to reply to the debate.

440 **Deputy Collins:** Thank you, sir.

Firstly, my apologies: yes, the Culture & Leisure Department did submit one report this term so far, in fact last year, for debate on the Channel Island Lottery. I thought this month it was only submitted as an appendix item. So my apologies for that.

Deputy St Pier, thank you for your comments and support.

445 Deputy O'Hara, thank you for *some* kind words (*Laughter*) and comments. Yes I was around back in 2003 too, when the Sports Council merged into the Guernsey Sports Commission, including being at their last AGM – and in fact I won the first Guernsey Sports Commission award for under-25 dedication to sport, having already invested six years into administration, not blowing my own trumpet. (*Laughter*) Just to add, as I think you did clearly say yesterday, many of the sports like you said, for example bowls, do for example pay rent for the facilities so you do have an income.

450

Deputy Sillars, thank you for your comments and support.

Deputy Gollop, thank you for your question about do I think the Guernsey Sports Commission model needs reviewing. Personally, no, I think it just needs more funds. However, a few sports do feel that more about how difficult it is to gain funds and perhaps the categories need to be looked at again. So yes, there is some value there. As I said in my opening speech, I do not want to take away from other Culture and Leisure activities, but I do feel Culture & Leisure and HSSD need to create a business case about some extra funding to address the Healthy Weight Action Plan points.

455

Deputy Lester Queripel, thank you for your question: is this a vote of no confidence in Culture & Leisure? No. What evidence is there for this? Well, as I said, only 30% of adults meet the recommended physical activity levels and 20% reported no activity at all. So we need to do something. We need to do more. What do the words 'do everything reasonably possible' mean? Well, one interpretation might be let's do something, let's write a business case to T&R saying we can reduce obesity and increase physical activity rates. Or another interpretation could be, we are going to look at it, we are not going to do very much. It is entirely up to you, your interpretation.

465

I think I am probably going to concede the first part of this amendment, probably it is not going to succeed, but I will talk about that in a minute again.

Criteria: personally I would love to see obesity rates down and, as I said, physical activity levels up. List of sports he wrote: great! I know I have only won two gold, seven silver and a bronze internationally, so not made your list; but for your information I am the only Guernsey Commonwealth Athlete across all sports to have finished in the top ten from the last two Games. So I do have some value to add there.

470

Deputy Burford: okay, thank you.

Deputy Brehaut... ah, my *good friend* Deputy Brehaut. I am sorry you do not agree with the free speech part but GSC players, like other Islanders, can disagree with you and they can show it in various ways.

475

Is bowls a sport? Well Sir Francis Drake and Sir Walter Raleigh found time before beating the Spanish for a quick game – and interestingly today Sir Walter Raleigh was executed 400 years ago... which could happen to me. (*Laughter*)

480

Top ten most participated –

Deputy Conder: Point of correction, sir. Sir Walter Raleigh did not defeat the Armada; Sir Francis Drake did. (*Interjections*)

485

The Deputy Bailiff: Just before you go on, Deputy Collins.

Deputy Conder if you want to raise a point of correction you stand in your place and say 'point of correction', but you do not say anything until you are invited to speak.

490

Deputy Conder: My apologies, sir.

The Deputy Bailiff: Deputy Collins continue.

Deputy Collins: I am sorry, sir, I missed his point of correction.

495

The Deputy Bailiff: Okay, shall we have his point of correction again, properly this time (*Laughter*) Deputy Conder, point of correction.

500

Deputy Conder: Yes, sir. Sir Walter Raleigh did not defeat the Spanish Armada, Sir Francis Drake did. (**A Member:** Hear, hear.) (*Laughter*)

The Deputy Bailiff: Deputy Collins to continue.

Deputy Collins: I am pretty sure he was there playing a game of bowls before he did – anyway, moving on.

The top ten most participated sports in Australia, being the most sportiest nation in the world, to answer the question: number four lawn bowls! Yes, it is ahead of netball, swimming, cricket, martial arts, basketball and ten-pin bowling. So bowls I think, does add value. In fact just to add, in an average game of bowls you would walk a mile, so a great sport for all. Personally, I am so glad you have actively taken notice of what I do in my political career.

Deputy Duquemin, thank you for your support on the second part of this amendment. I find your comments interesting; because to be honest, sir, I do not think he has replied to any of my letters or emails to the Culture & Leisure or the Guernsey Sports Commission, and we have actually never met, to talk about it. So that is fine, I appreciate where you are coming from and that is fine.

Deputy Luxon, thank you for your support as HSSD Minister for the second part.

Deputy Green, thank you for your comments and highlighting again, as I say, no additional funding since 2004. So it goes beyond this short-time FTP target that has been set. I do agree with you, we are not just talking about sport, we are talking about physical activity which is key across all ages.

Deputy Domaille, thank you for your contribution. You actually missed out the key important part there, as regards you said 'Education, Culture & Leisure', it is actually going to be Education, Sport & Culture. That is the key point, that sport is there recognising that we need to get Islanders more active.

Chief Minister, Deputy Le Tocq, thank you for agreeing this is an important issue, and apologies it has come in this way.

Deputy Kuttelwascher, thank you for your contribution.

Deputy Inglis, thank you for your contribution. I think he said £2 million over five years. Is that what you were saying? (**Deputy Inglis:** Round it up) Round it up, that is absolutely fine but Jersey, as I said, next year is spending in their budget line for sport, £3.4 million – so over five years that is like £15 million! But, I totally agree. I have some issue with what you say about Culture & Leisure, because most of it is operational. As politicians we are told that we are here to direct policy, to

create policy to come to this Chamber to debate policy – so just to add that into the mix. But thank you for agreeing the second part, it is very useful.

535 Deputy Brouard, raised about the letter to sports. He is right I did quote in the letter that I wanted as a starting point to ask for £250,000, but I had to acknowledge that a lot of the sports... and, as I said, only 30 out of the 50 really wanted to engage.

Well, I say 'engage', I did actually have a lot of replies but I do not think it would have been appropriate for me to have printed those and sent them to all Members of what they think of some States' Members. So on that point, I could see that as a good politician asking for £250,000 now was not possible. As I say there have been conversations with Culture & Leisure and I had hoped to get something through, a small something, but it is evident that actually asking for a small something is pointless. We might as well ask for a strategy and actually come with that hard evidence of what is the value of sport and what can we do more, and the funding element come with that.

545 Deputy Sherbourne, thank you for your comments and for supporting the second part of the strategy.

Deputy Lowe: yes, I agree with you there is a cost about sport injuries; but on the other side there is *huge* value in people being more active, therefore reducing obesity, people living healthier lives and actually the burden as we know on healthcare costs is huge, so actually if we can reduce that, fine. The other side of that coin is of course like I said, the value that comes from sport in this Island. I said the Island Games brought in £4 million to Jersey in one year, that is a huge amount into the economy. I am sure that must outweigh a small cost with regard to sports injuries.

555 I think that is all the comments that people have made, sir. I would just like to say, I am sorry this amendment does not say give money from art to sport. However, I do feel, and I am passionate about that, that physical activity is probably a greater return on a lot of other States' money. But I can see the fact that I think Culture & Leisure have had the message today and yesterday, to go away and do some more.

560 So it is entirely up to Members how they vote on Proposition 1. Proposition 2, I would urge them to support. And that is it.

Thank you very much, sir.

The Deputy Bailiff: Thank you very much, Deputy Collins.

565 Before I turn to announce, when we get to voting on this amendment I am going to put them as two separate Propositions, Members.

Deputy O'Hara.

Deputy O'Hara: Point of correction, please, sir.

570 It is only minor but it is important to people to know in public: when I spoke about the rent we do not get an income from the rent, from the Sports Commission that utilise the building... in fact it is just the opposite, we sponsor that building they do not have to pay any rent at all.

Thank you.

575 **The Bailiff:** Deputy Lester Queripel.

Deputy Lester Queripel: Thank you, sir.

580 I thank Deputy Collins for answering five of my questions. I just wonder if he could answer the other three, please, sir?

The Deputy Bailiff: Deputy Collins do you wish to answer the other questions that Deputy Lester Queripel put, because you are not obliged to?

585 **Deputy Collins:** I did make a note, but I thought there were only five, sir. If he wishes me to answer the other three he would have to inform me of what they were, but they did seem to all merge in together so I thought answering five was sufficient.

The Deputy Bailiff: That is okay.

590 Well, Members of the States we will move to the vote on this amendment. As I say there are two Propositions to the amendment: the first is to insert a new Proposition 32, the second to insert a new Proposition 33.

This is the amendment proposed by Deputy Collins and seconded by Deputy Fallaize. On the first of those Propositions, those in favour –

595 **Deputy Collins:** Sir, could I ask for a recorded vote, please?

The Deputy Bailiff: We will have a recorded vote.

There was a recorded vote.

The Deputy Bailiff: Members of the States, I think that Proposition is going to be lost. We will return to the actual voting when I have the result slip.

600 Let's go to the second Proposition of this amendment, proposed by Deputy Collins and seconded by Deputy Fallaize, to insert Proposition 33. Those in favour –

Deputy Collins: Sir, could I have another recorded vote? I did say in both, sorry, sir.

605 **The Deputy Bailiff:** Well, let's just wait until the first vote has been counted.

There was a recorded vote.

The Deputy Bailiff: Similarly, Members of the States we will get the official record of the voting in due course, but I would declare that part of the amendment, Proposition 2, carried, so we have inserted a new Proposition 33 into the Propositions.

We now open general debate on the Budget.

610 Deputy Luxon.

Deputy Luxon: Thank you, Mr Deputy Bailiff.

615 Sir, on behalf of the Health & Social Services Department – although I think I have to say net of Deputy Hadley, although he will confirm later – I would like to summarise that part of Treasury & Resources Budget Report which pertains to Health & Social Services, both the 2016 Budget itself but equally important the Transformation and Reform aspect over the next five years, as both are inextricably linked to one another.

620 Recent news releases confirm that the UK NHS had overspent its 2015 quarter one budget by a billion pounds, more than its total 2014 annual overspend of £832 million. Goodness knows how many billions this full year overspend will be for them.

Contrast that with HSSD here in our Island over recent years, whereby we have seen budget overruns each year, but of a far smaller scale, and at a time when medical inflation rates have been largely ignored; and where a £7.2 million FTP saving has been achieved, albeit £3.4 million lower than the £10.6 million original FTP target.

625 The T&R Minister in his opening speech referred to the 2016 Budget as being a Health Budget. My board well recognises that increased cash limits for HSSD impacts severely on available funding for other Departments' essential needs. I would not want this Assembly, nor the broader community, to remotely think that my board, or officers, are unaware of that reality. We are acutely aware that we have a responsibility to manage the future fiscal needs of the Department.

630 Balancing fiscal constraint and control against insatiable and ever-increasing demands for resources is at the heart of our problem, and will remain so in future years because of the ageing demographic factor, health treatment advances, expectation of new treatments becoming available, and of course ongoing medical inflation. But you know all this already.

I hope that the Budget Policy Letter including Appendix 2, the BDO Benchmarking Executive Summary, along with the briefing we held a fortnight ago and the information we distributed, will have helped to set out the short and midterm objectives inherent within the HSSD Budget bid.

Sir, rather than a long wordy speech, I will try to tease out what we regard to be the main drivers that challenge impact within HSSD, and more importantly setting out the plan of attack to address these vexing issues over the coming years.

640 Sir, T&R and HSSD jointly commissioned an extensive benchmarking project to report back in July this year with its findings, for a true baseline budget for HSSD, along with peer-reviewed savings opportunities and a three year outline budget forecast. HSSD believes the benchmarking exercise was extensive, deep, challenging and credible, and we buy into its findings. It may not be perfect, there may be some anomalies, but it sets out the realities well and it gives us a base.

645 Those findings verified that the baseline budget requirement for 2016 was £119.65 million, or +7.6% from the indicative cash limit set prior to this year – an £8.2 million increase. This is not an £8.2 million increase from this year's actual authorised budget, or the projected outturn.

HSSD spent in 2012, £111 million; in 2013, £112 million; in 2014, £111 million; and had a budget of £113 million in 2015 revised up to £117 million in July by this Assembly, following the Maternity Services Review, the Recruitment & Retention Task Force work and the Children's Diagnostic debate. So the proposed 2016 budget of £119.65 million is a £2.65 million uplift versus this current year – however, we are proposing securing £1.15 million of stretch target in year savings to achieve the allocated cash limit of £118.5 million that the Treasury & Resources Minister outlined yesterday or the day before.

655 So yes, this budget is £8.2 million uplift from the 2014 indicative cash limit, but is a £2 million uplift from the 2015 projected outturn.

In addition to the BDO Benchmarking Budgeting Project, HSSD developed our own 2016 Budget bid using a bottom up build process, so some reassurance can be taken by you that those separate work streams resulted in a near identical baseline budget for 2016.

660 In summary, the £8.2 million increase from the earlier set indicative cash limit is made up of: the £3.4 million from the July debate covering the Maternity, Recruitment & Retention and Children's Services increase, plus the reinstatement of the residual £3.4 million target, which will now be attained as part of the Transformation plan, plus the adjustment of the original cash lift to reflect the actual 2014 outturn, plus the Department's own vacancy factor adjustments.

665 Challenges continue to materialise: recruitment, in spite of our new approach and investment, continues to prove difficult as nurses remain in short supply globally. Premium agency staff costs have ever been budgeted for and will pressure spend levels if nothing is done to reduce reliance here.

670 Breaking news: NHS tariff change charges for non-EU patients, jurisdictions like us, are being reported as increasing to 150% of the standard rate. We have to challenge this and we actively challenge this with the External Relations Group. Also increased activity in acute services... and so it goes on.

So in summary, sir, the 2016 Budget is a Health Budget to begin a five to 10-year process of delivery model transition to sustainability both fiscally and from a patient perspective.

675 Does Deputy Queripel want me to give way? (**Deputy Laurie Queripel:** No, sir.) Apologies.

Sir, moving on to the Transformation and Reform aspect of the BDO report, which Members can see on pages 71 to 85 in the Billet. Between £7.4 million and £24 million efficiency savings are possible over the next 10 years, as recommendations from this report. Our current model of delivery is 17% more expensive than the relevant peer group benchmarking.

680 Without compromising on safety or quality, but with a reformed model of delivery, a net spend reduction of estimated £5.2 million within just HSSD is possible by 2020 – if £5.5 million is

invested from the Transformation and Transition Fund during 2016, 2017 and 2018. This will achieve £7.4 million of gross savings, net £5.2 million after £2.2 million of recurring costs are added.

685 HSSD are working up the business cases for submission to the Transformation and Transition Fund bid process for the initiatives to deliver these savings over the next three years and beyond.

690 Sir, re-profiling the PEH to deal with the many infrastructure issues covering theatres, wards, ITU and the Day Patient Unit, are all linked to the transformation piece, and so although recognising T&R's approach to the SCIP process, which we debated yesterday, we have flagged up that HSSD must within the Department urgently progress these re-profiling plans, and would hope that the 2017 evaluation of Stage 2 SCIP would not hold back this project, as assured by the T&R Minister.

695 The upper end of potential savings of £24 million from the Benchmarking Report, could be achieved over a longer 10-year time frame, but would require significant expertise and additional resources to deliver against it. However, the HSSD Board believes that the States of Guernsey should not lose sight of this option as a second stage approach.

700 Deputy Trott has mentioned many times that he does not believe that the increased health budget will necessarily lead to decreased investment into the future. He may be right, he may be wrong, but the continuing pressures of constantly going to ask for more demands to invest in health care, but we as a Department, and the States of Guernsey, and the next States of Guernsey Assembly are going to have to battle to mitigate against those increased demands. We have to do all we can to transform how we deliver services within health and social care in the Island.

705 Sir, Health and Social Care Services cannot continue to be delivered within the existing model here in Guernsey, unless we are prepared to see continual budget bid increases and overspends, year-on-year as healthcare costs and demands continue to grow. Transformation and reform can be the only way forward for a sustainable model of delivery. It will be no easy task, but the States and the one after that, as I have said before, will have to tackle this conundrum.

710 HSSD recognises that its needs have been prioritised in this Budget, but of course it is the needs of the community that have been recognised in reality. An open cheque book is not the answer and some difficult dialogue with our community itself will no doubt be needed as priorities are assessed and the plan is developed for the way forward.

715 Equally, we should not forget the outstanding matters which will impact on the SSD Health Service Fund around additional consultant appointments both in relation to the Royal College of Obstetricians and Gynaecologists Report findings on Maternity Services, and more broadly in terms of service reviews in secondary healthcare that are outstanding.

HSSD and SSD continue to wrestle with these issues, conscious of the significant on-costs should all of the recommendations be implemented for additional consultants. We have to continue to assess the best way forward to deliver a service that is appropriate for the Island.

720 Sir, finally, we have worked closely with BDO and T&R and recognise the inter-departmental support received throughout 2015. Both Departments will need to maintain close dialogue to optimise the outcomes of the benchmarking potential and the transformation plan. HSSD recognise the implicit support for its change programme being made by this T&R Budget and thanks Members for their support, assuming they approve the Budget today.

Thank you, sir.

Amendment 14, Proposition 1:

Not carried – Pour 4, Contre 33, Ne vote pas 6, Absent 3

POUR

Deputy Fallaize
Deputy Le Lièvre
Deputy Collins
Deputy Robert Jones

CONTRE

Deputy Le Clerc
Deputy Gollop
Deputy Sherbourne
Deputy Conder
Deputy Lester Queripel
Deputy Stewart

NE VOTE PAS

Deputy St Pier
Deputy Adam
Deputy Perrot
Alderney Rep. Jean
Alderney Rep. McKinley
Deputy Kuttelwascher

ABSENT

Deputy Bebb
Deputy David Jones
Deputy Wilkie

Deputy Gillson
 Deputy Le Pelley
 Deputy Ogier
 Deputy Trott
 Deputy Laurie Queripel
 Deputy Lowe
 Deputy Spruce
 Deputy Duquemin
 Deputy Green
 Deputy Dorey
 Deputy Paint
 Deputy Le Tocq
 Deputy James
 Deputy Brouard
 Deputy De Lisle
 Deputy Burford
 Deputy Inglis
 Deputy Soulsby
 Deputy Sillars
 Deputy Luxon
 Deputy O'Hara
 Deputy Quin
 Deputy Hadley
 Deputy Harwood
 Deputy Brehaut
 Deputy Domaille
 Deputy Langlois

725 **The Deputy Bailiff:** Members of the States, before I call anyone else to speak in general debate, let me just announce the voting on the amendment proposed by Deputy Collins, seconded by Deputy Fallaize on Proposition 1. There voted in favour 4, against 33, there were 6 abstentions. So that part of the amendment is lost.

Amendment 14, Proposition 2:

Carried: – Pour 31, Contre 6, Ne vote pas 6, Absent 3

POUR

Deputy Le Clerc
 Deputy Gollop
 Deputy Sherbourne
 Deputy Conder
 Deputy Lester Queripel
 Deputy Stewart
 Deputy Le Pelley
 Deputy Trott
 Deputy Fallaize
 Deputy Laurie Queripel
 Deputy Lowe
 Deputy Le Lièvre
 Deputy Spruce
 Deputy Collins
 Deputy Duquemin
 Deputy Green
 Deputy Dorey
 Deputy Paint
 Deputy Le Tocq
 Deputy James
 Deputy Brouard
 Deputy De Lisle
 Deputy Burford
 Deputy Inglis
 Deputy Soulsby
 Deputy Sillars

CONTRE

Deputy Gillson
 Deputy Ogier
 Deputy Hadley
 Deputy Brehaut
 Deputy Domaille
 Deputy Langlois

NE VOTE PAS

Deputy St Pier
 Deputy Adam
 Deputy Perrot
 Alderney Rep. Jean
 Deputy Harwood
 Deputy Kuttelwascher

ABSENT

Deputy Bebb
 Deputy David Jones
 Deputy Wilkie

Deputy Luxon
Deputy O'Hara
Deputy Quin
Alderney Rep. McKinley
Deputy Robert Jones

730 **The Deputy Bailiff:** On the second Proposition there voted in favour 31, against 6, again there were 6 abstentions. So that part of the amendment is carried.
Do you wish to be relevé, Deputy Bebb?

Deputy Bebb: Yes, please. Thank you.

735 **The Deputy Bailiff:** Deputy Laurie Queripel, to be followed by Deputy Harwood.

Deputy Laurie Queripel: Thank you, sir.

740 Sir, I want to start with something that I might come to regret. I want to take issue with something that my good friend Deputy Trott said on Tuesday. I notice he is not in here, so I might get away with this. I may be out of my depth here, because Deputy Trott, as we know, is an expert on fiscal and financial matters, he has a great in-depth knowledge of those things. At best I have a layman's understanding, so it is a bit of sort of David and Goliath situation. But, I happen to have my metaphorical slingshot and stone handy, sir, so I thought I would give it a go, and I believe I have got right on my side here.

745 Deputy Trott said on Tuesday that every time we approve an amendment during this debate with expenditure implications we add to the deficit. I think there needs to be some reaction to that and it needs to be on the public record. Now, sir, because I am a layman at these things, I have written down very carefully my interpretation of events. If Deputy Trott wants to take issue with them, if he is listening outside, I would ask him that he would just wait until I have finished this statement, before he feels the need to correct me – if he has to.

750 The comments made by Deputy Trott during the Budget debate on Tuesday were technically correct, but they do not tell the whole story and in the interests of balance the other side needs to be told. Technically, every time a capital project is approved or moved up the list, the deficit is added to, but it has to be remembered the money to cover capital projects has already been set aside in the Capital Reserve, which is well over £100 million. It is true that when funds are accessed from the Capital Reserve the amount diminishes and will need eventually to be replenished from General Revenue to build the Capital Reserve back up. The only way to avoid that is to abandon all the capital projects on the list, collapse the Capital Reserve and return the money to General Revenue.

760 Alternatively, the money could be used from the Capital Reserve and a decision could be made not to replenish the Capital Reserve. If either of those choices were made, General Revenue would then look in comparatively good shape for the future, but none of the many essential infrastructure projects on the capital projects list would go ahead, and work would not be provided for local industries and there would not be a stimulus or a boost for the local economy.
765 So it is important to remember that the money has already been set aside in the Capital Reserve for capital projects. What took place on Tuesday via the amendments, were attempts in effect to reorder the prioritisation list of capital projects that were already pencilled in. So if Deputy Trott has an issue with that he might reply to what I have said.

770 The point is this, sir: I actually – and I am sure we all do – share Deputy Trott's concerns about the States' finances, and I think if anybody would care to look at my voting record, I have voted conservatively this year for that reason. Now, there have been many things that have come before the States – and I am thinking particularly of the Transport Strategy – that have actually appealed to me and appealed to my natural instincts, but because I am so concerned and so aware that the States will need to access more revenue in the future for very necessary and very essential
775 services, I have voted conservatively. And I have voted against some things that actually I quite

like the look of, knowing that we would need to access that source of money for other essential things in the very near future – and in fact the Budget proves that.

780 The increase on fuel, as Deputy St Pier has said, is mainly in regard to the extra provision for Social and Health Services. T&R need the ability to pull those levers and if that ability is taken away from them they have very little option in regard to other areas.

I just wanted to turn to, and make some comments in regard to the proposed tax on retail profits above half a million pounds. I was quite concerned when I read *The Press* – I think again it was on Tuesday – in regard to some of the knee-jerk reaction and panic and scaremongering comments in regard to this tax on retail profits.

785 I was so very pleased in that article in *The Press*, Deputy Le Lièvre chose some very well-spoken words to counter some of those, I think, unjustified concerns. Deputy Le Lièvre said this:

'Deputy Le Lièvre, who is chairman of the Social Welfare Benefits Investigation Committee, doubted whether stores across Guernsey would charge more simply due to an increased tax. It will be extremely unfortunate if major supermarkets took that attitude, but I think they are a lot more responsible than that. He said, "I think they appreciate the unique position they have in the community and would act responsibly.'"

I think those are very important words, to balance out some of the unjustified concerns about this tax on retail on profits above half a million pounds.

790 So we have to remember this is not a tax on income or turnover, it is a tax on profits; and it should not become a tax on the poor old shopper, the consumer. These are businesses and hopefully Deputy St Pier will correct me if I have got this wrong, but these are businesses that contribute very little or, in fact, no company tax to the Guernsey economy. It is ironic that this is a tax that many Islanders... because I actually think there are elements to this tax, it resembles in some ways a territorial tax. This is a tax that many Islanders have been calling for, for many years, because of the implications and the consequences of Zero-10, and now because of scaremongering and misguided and misinformed comments there is some concern about this.

795 But it is not a tax on people, it is a tax on businesses and companies that are, as far as I know, not paying any company tax at the moment. So I want to commend the actions of Deputy St Pier and the T&R Board during this term in regard to his and their approach to Zero-10. They have found ways in a very measured and very considered way to extend the 10 in stages, and now they have brought in a tax on retail profits above half a million pounds which captures those companies who pay very little, or nothing, in the way of company tax.

800 Now, Deputy Dave Jones – who we miss very much of course and send our best wishes to him in regard to his recovery from his illness. He is not with us at the moment, but because you cannot keep a good man down and he has asked me to ask the T&R Minister a question... and this is something that Deputy Sherbourne, by proxy as it were, raised yesterday and it is something that I think I have heard Deputy St Pier say myself in the recent past. Deputy St Pier has said that we are now back, because of the various measures that T&R have taken, to pre-Zero-10 tax revenue – it is back to the raising the same amount of tax revenue. I think I probably have my own answers to this question, and I think Deputy Sherbourne raised some of them. But Deputy Jones wants to know: if that is the case, why is there still a shortfall, a not-insignificant deficit? So that is the question that Deputy Jones wants answered.

810 Now, sir, moving on from that, there has been political and public concern about the States' pay bill. We have to be careful with that, because there are some members of the public that even if we managed to reduce the States' pay bill by half they would still not be happy, they would still not be content with that. So we have to be careful with that, we have to take a measured approach towards it.

820 But we have to acknowledge that the pay bill is our single biggest item of expenditure and I think we are duty-bound to try and think of sensible ways to constrain it. I think T&R and the Policy Council – because they have responsibility for human resources and pay and disciplinary issues – need to give an undertaking that they will give the matter some very careful thought, and think of sensible and proportionate ways that the pay bill could be constrained.

As I said there is a political concern. I wrote a letter to the Chief Minister in the early part of this year, March 2015. It is a letter actually that was endorsed by Deputy Fallaize and Deputy Green, and part of that letter says, 'States' pay costs have consistently increased year on year rising from just over £162 million in 2008 to nearly £204 million in 2013.'

So that is an increase in those years of £42 million. And I think I am right in saying – and once again I look to Deputy St Pier if I have got this wrong – that it has gone up by another £8 million in the last year.

Now, sir, in addition I know that Deputy Domaille and Deputy Soulsby have sent emails to Deputy St Pier, I think in the last couple of weeks, seeking answers in regard to States' expenditure, but also in regard to some detail in regard to the States' pay bill. So there is political concern about this. I think it is beholden on us, in these constrained times, to look at ways that we can perhaps constrain the pay bill.

Now I know that other jurisdictions are looking at ways to do it, and when I wrote to the Chief Minister I did say 'Can we look at what is happening in Jersey?' And I know Jersey have their very particular financial problems, but they are looking at things like freezing salaries above a certain level – not indefinitely, but for a period of time while they try and get over their problems. I also believe that jurisdictions and countries such as Belgium and Ireland are looking at that kind of measure as well. We owe it to the public, I think, to try and look at measures where we can try and constrain the States' pay bill.

Now, I know that there are enormous and a wide array of services offered across the public sector, and clearly you need all sorts of specialisms and skills in regard to providing those services, both hands-on skills and administration skills, and management skills, but nevertheless if you look at the figures – this is actually from Deputy Domaille's email to the Treasury Minister, 'For the period 2010-2013 the number of staff earning over £70,000 rose from 292 to 437'.

That is an increase of 145 members of staff earning above £70,000. That has to, surely, cause us some concern. I think perhaps we could allay the concerns of members of the public, and indeed political Members, if there was a bit more detail added to those figures – we could demystify those figures. Perhaps there could be a bit more detail in regard job descriptions, qualification etc. so people understand that perhaps that pay bill is, or is not, justified. But I think we owe it to ourselves and the public to take a look at this.

Now, sir, I agree with many of the things that Deputy St Pier said in his excellent opening speech on Tuesday. In regard to the efforts of this States to address the issues of its expenditure – and I think actually this States has done very well in doing that – but I think the elephant in the room for some, sir, is the pay bill. And could it be that the underlying trend is that spending on non-pay items has declined in real terms while spending on pay has increased in real terms? I think we do ourselves and the public a disservice if we do not take a little look at that.

Deputy St Pier is also right when he said, when he opened debate, that regardless of any efficiencies we could make, or any savings or any rationalisation, I do not think we will ever gain enough in financial terms to cover all that we need to cover in regard to expenditure in the future. We have to get that revenue from somewhere to fund vital services and vital capital infrastructure projects.

We know, as Deputy Luxon has said, there is going to be increasing pressure in the future on social services and health services. Despite that in this Assembly, and in Assemblies of the past, there has not been even a tolerance for progressive tax regime measures, things like Deputy Green had an amendment passed when we had the debate on the tax and benefits, that we need to look at things like progressive personal tax allowances. I do think we need to look at those things, because we are going to require more revenue in the future and I really do not want to take it out of the same lower-to-middle earner pockets.

I think we need to find it from people and organisations that can better afford to pay. Deputy Fallaize, of course, sir, made that point when he spoke much earlier during this – I think it was on Tuesday again – during the debate. It seems to me that I would paraphrase what Deputy Fallaize said, via this statement, that the conservative nature of decisions made in this Chamber in the past

875 in regard to who we tax and how we tax them – in other words our resistance to progressive tax measures – has led to a regression in the enactment of social policy.

We have created lot of social policy, but we have not been able to *enact* it, because we have not had the money.

I will give way to Deputy Kuttelwascher, sir.

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Deputy Kuttelwascher: I thank Deputy Laurie Queripel for giving way. I did not want to disturb his flow and I think that might have been my fault. I just think it is useful to highlight something he said. He mentioned that the Capital Reserve is taken from General Revenue.

I think it is important to note that is not the only source of income in the Capital Reserve. There is – these have been done in the past and will be done in the future – the excess returns on the Core Investment Reserve are used, States' surplus property sales, proceeds going to the Capital Reserve, and excess capital held by trading entities can be returned to the Capital Reserve. Also the Capital Reserve fund itself generates returns which are retained with it.

885 So there is more than one source, although I agree that in the longer term most of the capital will come from General Revenue.

890

Thank you, sir.

Deputy Laurie Queripel: Thank you, sir, I thank Deputy Kuttelwascher for that intervention. I think it just strengthens the points I made earlier on in responding to Deputy Trott's claims.

895 So, sir, yes there is no doubt in my mind that we will need whatever efficiencies we make, and we must strive to make efficiencies and savings. Whatever we do in that area we will need more funds for essential services in the future.

I am so concerned, sir, this might be once again sort of echoing the words of Deputy Dave Jones, when he spoke in the past about these things. I am concerned about the effect of indirect taxes, because they do not reflect people's ability to pay. And fuel is one thing, because as we heard during the Transport Strategy to some extent people have the ability to choose whether to drive, or to drive less, or to the use the bus, or to walk and things like that. But in regard to TRP, people have to live somewhere, they cannot avoid paying TRP.

900 I know we have heard this story about older people if they live in big properties they can perhaps downsize, but that is rather a stark thing to ask the people who may have lived in a family home for all their lives ... and perhaps the strain of moving would maybe just too much for them. I think in regard to indirect taxes I am not so concerned about the fuel rise, but the TRP rise does concern me greatly.

905 But, as Deputy Fallaize and Deputy St Pier have said, we have a very narrow area where we can take tax and revenues from, because we have been taking such a conservative approach in the past in regard to taxation. So this is why this term I have voted conservatively even though really I am not a conservative by nature, because we need to fund, and properly fund, essential services in the future. I am afraid at the moment aspirational policy ideas – wish list policy ideas – although they might be good, they need to take their place in the pecking order because there are more important things to look at.

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Thank you, sir, I could say a lot more but I will leave it at that.

Thank you.

The Deputy Bailiff: Deputy Harwood, to be followed by Deputy Fallaize, to be followed by Deputy Soulsby.

920

Deputy Harwood: Thank you, sir.

925 Sir, fellow Members of the States of Deliberation, before picking up on some points of detail on this year's Budget Report, I would like to take this opportunity publicly on the occasion of his last Budget Report of this political term, to express my gratitude – and I hope that of many others in this Assembly – to the Minister of the Treasury & Resources and his teams, both political and

executive, for so ably steering us through the many vicissitudes that have been thrown our way during this political term. (**Several Members:** Hear, hear.)

930 Sir, many of us, myself included, when seeking election early in 2012, included in our manifestos a pledge to ensure the States should balance its books, or live within its means – or similar platitudes which were easy to rehearse in the climate of election fever. However, the reality of delivering on such pledges fell to Deputy St Pier and his colleagues.

935 Against the inexorable spending demands of each Department of Government and the baying of popular bandwagons he has by and large remained steadfastly resolute. And to quote the words of Professor Wood and Dr McLaughlin at page 27 in this year's Independent Fiscal Policy Review, and I quote:

Guernsey's medium term history has shown remarkable discipline in restraining General Revenue expenditure. Before capital spending, projected revenue expenditure in 2016 is £10m (or 2.5%) lower at 2014 prices than in 2009.

940 In other words, sir, a real saving has been achieved throughout the term of this Assembly. Notwithstanding the frustration from time to time felt by some Members of this Assembly with the fiscal restraints imposed by the Treasury &R resources Department I believe, sir, that he and his teams deserve to be congratulated.

Sir, Professor Wood and his colleague in the same report also warn against complacency and urged that the legacy of the Financial Transformation Programme must be a continuing culture of expenditure restraint and encouragement of efficiency. Now, sir, Deputy Laurie Queripel has already made reference to States' pay bill and I would like to expand on his comment.

945 Sir, one stark feature of the three-year forecast on page 36 of the Budget Report is the line that shows the Budget Reserve for pay awards over the next three-year period. This shows a cumulative increase in cash terms over the period of a sum in excess of £12 million – and that is assuming that the States can itself limit pay increases to no more than inflation over that period. I suggest no mean task in itself. (**A Member:** Hear, hear.)

950 Sir, this emphasises once again the high element that staff costs contribute to our revenue expenditure. Sir, last month this Assembly firmly endorsed the framework for public service reform. I suggest that the successful outcome of that reform is critical to drive the levels of efficiency and reduction in the drag on revenue expenditure urged in the Independent Fiscal Policy Review.

955 Indeed I would go further and suggest that if the States in the future is to achieve any further meaningful efficiency gains they will necessarily need to address and reduce the level of headcount within the public sector. Currently 17%, or one in six, of Guernsey's working-age population are employed by the States of Guernsey. Given the demographic projection that suggests a reduction in the size of the working-age population, we must look to achieve a reduction in the size of the public sector as a percentage of that population.

960 One of the answers to the future of Guernsey's economy requires that we seek to drive workforce productivity. Public sector efficiency is important to overall productivity. The private sector is the engine of economic growth and inefficient use of staff and financial resources by the public sector will draw away from business resources which might be better used to greater economic effect in the private sector.

965 We all need to be aware that this Budget Report, the annual accounts of the States of Guernsey, and public comments on our economy, whether within or outside this Assembly, are likely to be subject to a greater level of public scrutiny than in the past given the external scrutiny of the international rating agencies. We need to be cautious not to talk down the economy by spreading unnecessary levels of gloom and despond. But, similarly, we must not be over-optimistic in our forecast of the likely levels of revenue income.

970 Clearly, we are disappointed that the outcome for tax revenue for 2015 is likely to fall short of the forecast used in last year's Budget Report. I would like to seek the assurance of the Minister that his Department has confidence in the forecast for tax revenue for 2016. It may be, sir, that his Department needs to address, as a matter of some urgency, problems that are apparent to many

member of the public with the procedures and processes used for the assessment and collection of taxes.

980 So turning to some of the detail within the Budget Report: I note that on page 10 it is suggested that all Guernsey companies, including those owned by non-residents, should be obliged to file with the Income Tax Office a return by way of a statement of profits. I would urge caution before introducing such a requirement that may well go above and beyond the level of disclosure required in many of our major competing jurisdictions. So may I seek the assurance of the Minister that he will consult with the relevant sectors of our finance industry before the introduction of such a requirement?

985 Sir, others have already commented – or will no doubt be commenting – on aspects of the recent Bond issue. I fully supported the Bond issue when it was debated at the time of last year's Budget Report, principally because it offered the opportunity for refinancing on more favourable terms approximately £250 million of existing debt, for which the States of Guernsey was directly, or indirectly, responsible. I, like others, am disappointed that of the £250 million only about
990 £100 million has in fact been refinanced. I am concerned as to the element of cash drag that will be suffered by the States until such refinancing is completed.

I am also concerned that unless, and until, we achieve such refinancing yet another of our fiscal framework rules is breached, namely the rule that states that total debt should not be greater than 15% of GDP. The table on page 55 of the Budget Report suggests the total debt created by
995 the Bond issue of £330 million, when added to the balance of debt that has not yet been refinanced – even after omitting the £45 million not yet required by Guernsey Electricity and other amounts shown as not yet required, and even after allowing for the proposed refinancing of Cabernet – that percentage of debt to GDP only reduces to 16.4%. They will still be above the permitted level of 15%.

1000 I would be grateful for the Minister's observations on this apparent breach. Perhaps he endorses a somewhat politically naïve suggestion but the forward by Professor Wood that the debt of entities such as Guernsey Electricity, do not count in the calculation on the basis that the States could avoid liability for such debt by the simple expedient of selling that entity, debt and all.

1005 Sir, if I may again in passing a personal matter, for reasons that were already debated *ad nauseam* on the various amendments on Tuesday, personally I will not support Proposition 6.

1010 Sir, may I on behalf of the Public Accounts Committee make some observations in relation to the HSSD element of the Budget. Bearing in mind that my esteemed colleague the Chair, Deputy Soulsby, is herself a member of that committee. Fellow Members of the Assembly will be aware that the Public Accounts Committee has for some time been commenting on the presentation of the accounts and budgets. This resulted in a recent amendment on International Accounting Standards that was kindly endorsed by this Assembly.

1015 Sir, the Committee is also conscious of the need for transparency and clarity, when presented with financial information. In this regard, sir, we are concerned that the £8.2 million figure for Health & Social Services Department is a point in hand. There has been a fundamental basis for this year's Budget, and a number of the tax lifts that are pre-predicated on that figure. However, having now reconciled – and I am grateful for the explanation from Deputy Luxon earlier in this debate, where this £8.2 million figure has come from – what is clear is that the figure presented in the Budget is not as straightforward as perhaps it has been reported.

1020 It is not that this figure is wrong *per se*, far from it, but having looked through the report HSSD are clearly not receiving an additional £8.2 windfall next year, as some may have been led to believe or interpreted from the various public reports. To clarify, this year's authorised HSSD budget is £116.8 million and the expected outturn is £117.5 million. Next year's HSSD budget is set at £118.5 million. Clearly not an additional £8.2 million of extra cash to spend. The £8.2 million is the difference in what Treasury & Resources previously planned, that is a significant level of
1025 contingency of £1.15 million, rather than a real additional cash pot for HSSD to spend.

1030 Sir, we would have hoped that the policy letter in front of us would have, or should have, clearly explained how this figure was calculated from the original indicative cash limit right through to the contingency within the Budget Reserve. We are, however, fortunate that HSSD itself, in its very thorough presentation given to States' Members last week, was able to clarify and explain the figures. Unfortunately, only a relatively small number of States' Members were in attendance at that presentation and benefited from that clarification.

1035 Sir, the fact the committee feels the need to make this point is it is in itself proof that further clarity and transparency in the Budget Report would have been advantageous. Our own committee report into the HSSD financial management recommendation made the recommendation in 2014 that the overall Health and Social Care model merits a separate review to support HSSD in delivering a long-term sustainable financial model. We are delighted therefore, sir, that the cooperation between HSSD and Treasury & Resources has resulted in that review having been undertaken by BDO.

1040 Sir, in relation to the BDO report, once again people have picked up on the headline figure of perhaps savings of £24 million. That I suggest, sir, is distracting from the potential savings at HSSD. The net saving is stated within the BDO report to be £5.2 million per annum in five-years' time, and that includes a residual FTP saving of £3.625 million and that is after allowing for a cost of £3.3 million in one-off transitional cost.

1045 By way of a final point, if the projection is for the HSSD budget to reduce, then one may question why is it necessary to justify an increase in taxes against that falling budget. Again, to quote Professor Wood:

'Policy based on a reaction to fluctuations in short term forecasts is unlikely to improve fiscal stability or achieve long term balance.'

1050 Sir, as a last point on behalf of the Public Accounts Committee, the committee is very grateful to the Treasury & Resources Department for including in Section 7 clarification of the objectives of the investment rules applicable to the various funds administered by Treasury & Resources. We endorse the explicit recognition that it is appropriate to use local investment managers in the process of dealing with the investment of the funds; and we also note, sir, it is now again to be made explicit this will extend to the use of locally-based investment vehicles as part of the investment funds. However, I would make a caution, and express a caution to Treasury & Resources and their Investment Sub-Committee, to guard against over-exposure to Guernsey assets. And in this regard, sir, I suggest there is perhaps some ambiguity, if you turn to page 87 of the Report which suggests, and I will quote:

'Investments in corporate entities where the majority of revenues are derived from undertakings in Guernsey should not exceed 10% of the total assets of the fund.'

1060 It is unclear to me, and I think to other Members of the Public Accounts Committee, as to whether that means that the undertakings represent Guernsey assets, or whether the undertakings are merely Guernsey investment vehicles. I would be grateful for some clarification.

Thank you, sir.

The Deputy Bailiff: Deputy Fallaize.

1065 **Deputy Fallaize:** Thank you, sir.

Before making a few general comments, I want to refer to three Propositions, or five Propositions actually, but three of them are on a similar theme.

1070 Propositions 1 to 3 extend the positive rates of company income tax, as Deputy Laurie Queripel has already mentioned. Now, I think this is an important point that during the last term of the States, despite lots of noise, the positive rates of company income tax was not extended on a single occasion. Zero-10 looked exactly the same on 30th April 2012 as it did on 1st May 2008.

Now, under this Treasury Minister and this Treasury Department, the positive rates of company income tax has been extended in three of their four budgets, and on this occasion they are extending it in three separate ways. I think they need to be commended for that. (**A Member:** Hear, hear.)

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I am not quite sure that I accept the argument that the rate of tax collected is back to its level, or the amount of tax collected is back to its pre-Zero-10 level, I am not sure that takes account of economic growth and inflation in the meantime, but certainly this Treasury Department has done much more than its predecessors to extend the positive rates of company income tax. (**A Member:** Hear, hear.)

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Like Deputy Harwood I will vote against Proposition 6, because I am not going to accept this idea of grandfathering tax privileges, when we have no idea of whether the people who are going to be protected by these grandfathered rights are the people who need to be protected. So I would urge Members not to forget what was said in debate about this Proposition 6. I think it is important that this Proposition is defeated.

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In respect of Proposition 23, which is to do with the capital programme and the way that future capital programmes will be managed, I entirely endorse T&R's proposal that we move more to a rolling programme – but there is a fundamental problem with our capital programme. We are obsessed about a lack of money for capital projects; but that is not the problem. The problem is not a lack of money, it is a lack of projects.

1090

It has become increasing difficult to get capital projects through the States' through the Capital Prioritisation Programme and as Deputy Stewart found out to his cost, even when they get through the process they might get torpedoed by the States when they reach here. Now, we have got to improve the way in which projects are managed through the various stages of the Capital Prioritisation Process in the next term. It may be slightly unfair, but I have tended to suspect that it may be a bit of a ploy from T&R that they can protect any expenditure from the Capital Reserve by just imposing ever more difficult obstacles that Departments have to overcome to actually gain any access to the money – so at the end of the term they can say 'Look how much money there is available in the Capital Reserve'. But if you look at how much has been spent in this four-year term, it is very much less than the States approved in principle. So I do think work needs to be done in that respect.

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Deputy Harwood made an interesting speech, but in the first part of his speech he spoke about economic growth and the condition of public finances, as if they were one and the same thing. I think one has to distinguish between them.

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I am optimistic about Guernsey's economic prospects, I think that historically our economy has been remarkably resilient and even through this period of worldwide economic difficulty we have only experienced one year - and I am not sure it was even a full year – of economic contraction. Generally there has continued to be economic growth in a very, very difficult worldwide environment.

1110

But I am very much more depressed about the condition of public finances and the prospects of public finances. This is the point I wanted to speak on mainly. I think the most interesting, and the most important, pages in this Budget Report are 35, 36 and 37. At those pages T&R sets out an overview of public finances and its budget estimates for 2016, 2017 and 2018.

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The States have a fiscal framework of policies which are meant to underpin their management of public finances. Now, a key part of this fiscal framework is that deficits in public finances should be addressed within five years of their appearance. The deficit in Guernsey's public finances, which looms large over everything the States do these days, was first identified as long ago as 2006, which is when the decision was taken to reduce the general rate of tax on company profits from 20% to 0%.

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In this Budget Report the indicative estimates for future years show a deficit after transfers to the Capital Reserve of nearly £10 million in 2017, and £3½ million in 2018 – that is 12 years after the deficit became an inevitability. One could say that the estimates for future years show an improving position and that in the scheme of things a deficit of less than 1% of revenue

1125 expenditure is not terribly significant. But the estimated deficit of £3½ million by 2018 assumes growth in income tax receipts of nearly 15% between now and 2018.

It also assumes over the same period that the Education Department will cut its expenditure by around 1½% in absolute terms, and the Health & Social Services Department will cut its expenditure by around 3% in absolute terms. Now, sir, this all seems very optimistic.

1130 If income tax receipts actually grow by 10% rather than nearly 15% and if HSSD's expenditure over the next three years more or less replicates its expenditure over the past three years, by 2018 the deficit will be more like £25 million. This, I think, emphasises the somewhat precarious state of Guernsey's public finances.

1135 To its credit, T&R does not in any way try to conceal these challenges. At paragraph 5.54 they set out the options which lie ahead. Now I am summarising here but basically, unless we can suddenly generate unexpected and quite spectacular rates of economic growth, the options predictably come down to raising more income and or cutting expenditure in one form or another.

1140 Deputy Laurie Queripel talked about the traditionally conservative approach the States have taken to managing public finances. He is right to some extent but the real point is that the approach has become more conservative in recent years. The balance between raising income and cutting expenditure is largely a matter of political judgement. There are familiar fiscal and economic arguments to be put for and against both options, but before we, or more likely our successors, make these political judgements we should reflect on what has happened to the income and expenditure of the States in recent years.

1145 Why has there been such a marked deterioration in the difference between States' income and States' expenditure? This answers the point which Deputy Jones was asking, through Deputy Queripel, a few moments ago. Why has a Government which was every year producing surpluses of between £30 and £50 million, and at one stage as high as £70 million ... why is it suddenly now in a position of deficit?

1150 The annual Independent Fiscal Review ought to be of some assistance here, but regrettably it grows less and less useful every year, because for some reason the thing is never presented in the same way in two successive years. Fortunately the States' Budget, and the States' accounts, and the facts and figures booklet are more instructive. The prevailing view, publicly – encouraged, it has to be said, by many Members of the States – is that levels of public expenditure are, if not out of control, at least unsustainable and ahistorical, and that this is to blame for the persistence of the deficit.

1160 But, I am afraid, sir, the facts show otherwise: 15 years ago, 2000-2001 aggregate expenditure, including social security as well as general revenue expenditure, was around 26% of GDP. Today aggregate expenditure remains around 26% of GDP. If anything it has fallen slightly in the last 15 years. But essentially as far as public expenditure is concerned, relative to the size of the Island's economy, the picture is more or less unchanged in 15 years.

1165 The picture as far as income is concerned is quite different: 15 years ago, indeed as recently as seven or eight years ago, aggregate income was around 28% of GDP; today it is around 26% of GDP, if not slightly lower. The difference between aggregate income of 28% of GDP in the years before Zero-10 and 26% of GDP today is, at today's values, around £40 to £50 million per year of income foregone. That is the reason, and the sole reason, why the States today operates with a persistent budget deficit.

The deficit could be eliminated and reserves could be rebuilt – I shall give way to Deputy Trott.

1170 **Deputy Trott:** I am grateful, sir, because my friend is only partially correct.

I have also done some numbers and between the years 2008 to 2015, in nominal terms, income is in fact *up* by 10%. However, expenditure is up by 20% and, staggeringly, public sector wages and salaries are up by 30%. So, whilst he is right in that income levels are not as high as they historically are, income *is* up during that period but, regrettably, expenditure and particularly salaries have risen at a much faster rate.

Deputy Fallaize: But looking at nominal figures is not terribly instructive. It is much more instructive to look at rates of growth either based on inflation, or based on the size of the economy.

1180 What has happened is that there has been a very considerable deviation because you can go back almost as far as you like and generally speaking this management of public finances relative to the size of the economy has been fairly consistent. It is only in recent years that the States, quite deliberately, has changed policy direction and chosen to raise considerably less income as a proportion of the size of our economy.

1185 Previous States – and I am going back more than just two or three States – may have been very conservative socially, they *were* conservative socially, but their successors have been far more conservative fiscally. Now, the deficit could be eliminated and reserves could be rebuilt, by cutting expenditure, whether on General Revenue account, on social security, or on capital projects – or by a combination of all three.

1190 In populist terms these options can be described as ‘get rid of your pen pushers, bean counters and other worthless bureaucrats’ or ‘remove benefits from scroungers lazing around all day watching daytime TV’ or ‘stop building gold-plated vanity buildings’. (*Laughter*) Now by all means to paraphrase a Scottish politician of years gone by, go back to your constituencies and make the arguments in March and April that the deficit can be eliminated by cutting expenditure further and deeper,; but do so in the knowledge that the facts are not on your side. The emergence and the persistence of the deficit in public finances is caused by the States deliberately reducing the income it generates as a proportion of the size of our economy.

1195 Thank you, sir. (*Interjection*)

The Deputy Bailiff: Deputy Soulsby.

1200 **Deputy Soulsby:** Sir, on behalf of the Public Accounts Committee, I feel it only appropriate to start off in a positive vein and to acknowledge and thank the Minister for taking on board recommendations from our FTP Report which were published earlier this year.

1205 Within the detail of the Transformation and Transition Fund section on page 53 the Treasury & Resources Department has acknowledged the need for financial rules from the outset, which was a key lesson from the review. We are pleased to note that the set of financial guidelines for this fund will be published in early November. This step is much needed, albeit 10 months after the fund was opened. Nevertheless it is a step forward. However, the Committee would like to state on record again, that it is essential that the overarching financial rules are published as soon as possible. By way of example, the Committee has for some time been concerned about the consistent use of Routine Capital; and it notes with interest that the Public Services Department will, in future, be treating the cost of roads resurfacing and reconstruction as well as the Alderney Breakwater maintenance contract as Routine Capital instead of Revenue Expenditure. Overarching financial rules would clarify issues such as this.

1210 Now on to those areas of concern. The Minister’s foreword mentions that the shortfall in budgeted revenues is sobering and if this proves to be more persistent the States will be required to take longer-term measures. That being so the Committee would like to know whether there are contingency plans in place in case the assumptions within the report are not achieved. I make this point particularly as this Committee has highlighted on more than one occasion its concerns about overly-optimist forecasts, as it did so for the first Budget of this term.

1220 The Committee is also concerned that there does not appear to be any economic commentary or little evidence supporting the assumptions. Of course this is not just an issue for the Budget, such questions arose in the debate on the Strategic Housing target last month, for instance.

1225 I would like to focus on three related points. The first is with regard to the tax income, specifically the somewhat concerning statement, and I quote:

It is also not possible to determine with any certainty... whether this deterioration in income tax receipts is a one-off..., a cyclical issue or evidence of a structural decline.

This Assembly needs to know how much money is coming in and the effectiveness of our tax collection system. Clarity is required as to the extent of any backlog that might exist. We do not have confirmation of when the actual final position will emerge. We need answers and decisive action to address and other issues. We know the phrase 'there is nothing certain but death and taxes', but at the moment there does appear to be considerable doubt over the latter.

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Second, is in relation to the trading entities. It is stated on page 41 that, and I quote:

'The Department considers that a combination of clear financial targets and a rigorous governance model for discharging the duties of the shareholder can ensure these benefits are released and is therefore budgeting for £10million of returns of capital from trading entities in 2016.'

To what degree of certainty is this statement being made and with what justification?

Finally, in respect of the Digital Greenhouse initiative on page 47, T&R state that, and I summarise, an average of 10 new businesses per annum will relocate to Guernsey, generating an additional £1 million in GDP per annum, assuming the targeted benefits are reached, revenue from tax receipts will by 2018 increase by some £1.8 million. It is all well and good making such statements, but to what extent are they based on robust evidence and modelling, or just wishful thinking?

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Next, I turn to the Budget cash limit, where a number of issues have caught the Committee's eye. As the States are currently in a period of fiscal restraint, expenditure on staff quite naturally continues to be an area that attracts some scrutiny. However, the recent coverage of this issue and comments already made today clearly identifies why we need an informed position on available figures. Additional transparency is required. For example, in paragraphs 4.32 and 4.33 we see £230,000 is required for more staff in Policy Council and £235,000 for Treasury & Resources – with little justification as to their purpose. Are these people going to be generating more work or implementing work already set out in the myriad of strategies that have been produced this term?

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In terms of the FTP, the Minister has previously committed to monitoring the benefits of this programme through the Budget Report. Whilst the Committee acknowledges that there is some reference to this programme, it is minimal. For example, where is the ongoing monitoring for such projects as voluntary severance and the vacancy factor?

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There is also little mention of the residual benefits of circa £5.9 million as per the FTP closure report, which could have a positive impact on General Revenue. This is at a time that Home Department is stating it is unable to meet its FTP target of £263,000, nor from that of the general savings target of £328,000. The FTP was too important and too extensive, too resource intensive, to be ignored now. The Committee will therefore continue to seek reassurance on this matter during the remainder of this term.

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I turn now to the fiscal rules upon which so much of this Budget is built. This year's Annual Independent Fiscal Policy Review clearly articulates that a number of our own fiscal rules have been, or are on the cusp of being, breached i.e. long-term permanent balance, deficits addressed within five years, annual cap-ex average 3% of GDP, total borrowing never to exceed 15%, new borrowing in any one year not to exceed 3% of GDP.

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The Minister made quite a few nautical references the other day, such as needing to navigate through stormy waters, and I wonder whether another analogy related to the sea may be appropriate, because the fiscal rules seem to me to be equivalent of the pirate code in the *Pirates of the Caribbean*. For those of you who have not watched the film, you should know that the pirate code had two features: first of all you only have to follow it if you are a pirate, and secondly they are only treated as guidelines. I wonder whether the fiscal rules now being seen are just like the pirate code – and to be considered not as rules but as guidelines.

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Given that a new economic dimension may be upon us the Committee would urge that the rules and, more importantly, the underpinning fiscal and economic policy are reconsidered to ensure they remain valid. This has to be fully balanced with responsibilities within the States' Strategic Plan between social and environmental policies as well. There is more than one model to consider after all.

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1275 Now, turning to capital expenditure and borrowing: with regard to the Capital Reserve and the
SCIP process, one of the key issues is the underfunding of the Reserve and underspending on
projects. Deputy Fallaize has made reference to this already. According to the Fiscal Policy Review
the total allocation to capital spending from General Revenue has averaged 1.9% of GDP since
2009, and this imbalance will need to be addressed at some stage; with reduced income and a
1280 desire not to use the Bond proceeds for non-income generating projects, the need to consider
alternative creative funding options for capital investments may perhaps not have to be
discounted.

The lack of progress of the prioritised projects for the SCIP process is also a concern, as I
mentioned two days ago. Given that the SCIP Management Office is forecast to cost £872,000
next year, the Committee does question whether the ratio of spend on *checking* to actually *doing*
1285 is proportionate. The Committee would always support financial controls, but we do question
whether the process is displaying symptoms of constipation as a result. Added to that, the
potential exists for a significant waste of time, money and effort if costly preparatory work is
undertaken on projects which are likely to be deprioritised. The prioritisation process must be fully
transparent to ensure that trust in the SCIP process is maintained.

1290 The proposed recapitalisation of Aurigny again brings questions of clarity and transparency.
That is the debate for next month, but before then the Committee will be seeking clarification on
particular elements of the policy letter.

Now, in terms of the Bond, the Assembly will be aware that the Committee has a number of
ongoing concerns, and in the words of Professor Wood:

'The States would be wise to take particular care to ensure that the debt is carefully managed to avoid reputational
damage.'

1295 The level of borrowing, right at the cusp or indeed over the fiscal rules; the cost associated
with securing the Bond, in particular hedging costs of £9 million plus; and the lack of pre-
commitment gained from possible recipients of these funds, all continue to be matters of concern.
The Committee will monitor the situation and continue to consider its options to ensure the Bond
is being prudently managed. And here lies the dichotomy: we have a Capital Investment
1300 Programme that is short of cash and a Bond issue that cannot be spent.

So in summary, the Public Accounts Committee is concerned about the apparent lack of clarity
on our real income position, that there is an optimism bias in the forecast being made, and that
decisions are being made without full information that could have major repercussions for the
wider economy.

1305 The Fiscal Policy Review concludes that Guernsey has, and I quote:

'... a reputation for fiscal prudence, transparency and stability...'

This is a fundamental point and we ignore it at our peril.

The Deputy Bailiff: Deputy Ogier, to be followed by Deputy De Lisle.

1310 **Deputy Ogier:** Thank you, sir.

I believe T&R are to be commended with the Budget... a Budget which has dealt them a bit of
a curve ball and I appreciate the basket of sometimes innovative measures that they have chosen
to deal with the challenges this has thrown up.

1315 I want to pick up, really, on a couple of things, one mainly which is the Capital Programme, on
which we have had a number of speakers already – Deputies Fallaize, Soulsby and Adam. I want to
speak on the capital programme in general, and the Deep Water Berth – or the Hydrocarbons
Project, as it might not be a deep water berth – but may be another method of bringing
hydrocarbons ashore... I want to deal with that in particular.

1320 This Hydrocarbons Project is one of the projects in paragraph 5.25, along with what was – and
still is – the Alderney Runway Refurbishment, which will be taken forward into the next round of

capital prioritisation. Like the Alderney Runway Refurbishment, the budget proposals should cause no delay to the progression of the Hydrocarbons Project, but we do have some concerns over the timescale.

1325 Deputy Adam was speaking of the few capital projects which had progressed during this term and asked whether there was something in our SCIP process which has caused delays – and this has been echoed again here today. I believe there may be something to that. I have taken projects through the SCIP process and the processes are thorough, they result in a great deal of oversight and scrutiny which, previously, States' projects were not subject to.

1330 The States' Capital Investment Portfolio, along with other changed and newly-implemented procedures, has helped virtually every major States' capital investment over the past few years come in under-budget and mostly on time. It is a great success in terms of governance and scrutiny over capital projects. Combined with the prioritisation process the way the current States deals with its capital infrastructure is so radically different from the way it was handled in 2004 as to be virtually unrecognisable. I believe in the process, as a States' Member it gives me comfort.

1335 But, and I hesitate to say it, there is a potential downside, which is that the layer upon layer of questions posed and new angles taken, means everything seems to take longer than planned. I fully support rigour in assessing capital projects, but what gives the strength may also simultaneously provide its greatest weakness. The way it operates and involves so many people all with their own sets of questions and differing perspectives at staff level, culminating with papers to the T&R Board which have to be pre-assessed by staff, then find a T&R Board date where the item can be fitted in – and, make no mistake, the T&R Board are very, very busy people.

1340 Then, if there are any queries arising from the board meeting, one can easily add another four to six weeks before it will be at T&R again. Every stone is turned, but turning every stone takes time. It is the strength which has delivered some great projects, but it carries with it the seeds of unintended consequences, in some instances that is where projects are time-critical.

1345 Many projects are not time-critical and the extra time has little effect and enormous benefits; but some projects *are* time-critical and the Hydrocarbons Project is one such. We know at PSD that there is an optimum implementation date for it, but my fear is that we may allot a reasonable amount of time for the project to progress through to culmination; but that timetable may be thwarted, or eaten up with delays that going through the myriad steps required of a capital project entail.

1350 We want the SCIP process to have teeth and go through the necessary steps, but not so many teeth that they wear the project down. One issue with the hydrocarbons programme is that although the end is years away we need to stick to a timetable to get there. The SCIP process does an excellent job in terms of no stone left unturned, but there does not seem to be in there a focus on end dates, on the outcome, on urgency. The attention seems primarily focused on the process – and the net result is that projects end up being delayed. The outward appearance is lots of scrutiny and challenge – which is true and it works, make no mistake it works – but some programmes and projects can struggle to proceed in a reasonable time frame as a result, leading to potential longer-term costs and economic problems four to five years down the road for time-critical projects which fail to meet their optimum window.

1355 Sir, I wanted to bring this viewpoint to the Assembly and let it know that we intend to discuss the matter with T&R to ascertain how SCIP can bring its huge list of benefits to bear, whilst at the same time delivering capital infrastructure at the right time.

1360 Just briefly, sir, before I close, on the married allowance which was the subject of a number of amendments on Tuesday. I do have remaining grave concerns over financially disadvantaging parents who choose to be with their very young children and so I, like others, will be voting against Proposition 6.

1370 **The Deputy Bailiff:** Deputy Wilkie, I know you have been here for a while do you wish to be relevé?

Deputy Wilkie: Yes, sir, I do.

1375 **The Deputy Bailiff.** Deputy De Lisle, to be followed by Deputy Green.

Deputy De Lisle: Thank you sir.

1380 I start with my concerns over the £330 million Bond issue, which means that the States are directly liable now for debt equivalent to around 14% of its GDP. The debt to the States has increased risk to the taxpayer and reputational risk to the Island, and repayment will require austerity and fiscal prudence.

1385 This relates to some extent to my concerns also with the recent downgrade by Standard & Poor's, which suggests some pessimism in the marketplace with respect to the Island. The persistence of the deficit, the underfunding of the Capital Account and the pressing sustainability issues in areas such as Health, point to the need for far greater and tighter, controls.

1390 The recent Independent Fiscal Review reminded us that Guernsey relies on attracting and retaining international finance business. The debt needs very careful management to avoid reputational risks in the future. We learn from the Budget that £100 million has been placed lower than anticipated at the time of borrowing and the residual cash pool is invested, we are told, in line with the directions set by T&R; but we need to know more in detail about what these borrowings are earning to offset the cost of borrowing. Borrowing can be a slippery slope, sir, and I was shocked with the upfront cost of the Bond at £15 million to Guernsey.

1395 What income are we deriving from this money, and what is the annual cost? I would like the Minister to provide some answer to that.

1400 But, having said that I commend the Minister of T&R in terms of the reduction in transfer to the Capital Reserve and also the extension to the corporate tax regime. I have argued several times in this Assembly that expenditure restraint has to be across the board and affect not only the revenue, but also capital spending, until we get the deficit cleared and moved back into the black.

1405 I have also called for extension of Zero-10 several times in the Assembly and support the extension of the 10% and the 20% corporate tax rates, in terms of bringing our Zero-10 corporate tax in line with those in other dependencies – the Isle of Man and Jersey. I have also called for dialogue between the Minister of T&R with those of the other dependencies to work on the extension of the corporate tax regime to address the deficit, not only here but within the other dependencies as well.

And I am pleased to note that a further £15 million has been brought in over the last three years through the resolve for extension of corporate tax policy.

1410 In terms of broadening and diversifying the tax base, I have my usual concerns with increasing TRP to householders, as it places an ever-higher mortgage on property to Government. I fear that we will not be able to pass to our children and grandchildren – future generations – the advantage that we have had in the past. But I am also concerned with the commercial side and the commercial rate, as I fear more change of use out of commercial in Town due to the high TRP rates already in existence.

1415 I regret also that there is no increase in the personal income tax allowances for a second year running.

1420 I am encouraged by the T&R Minister's remarks with regard to reducing inefficiency and waste in Government, expenditure restraint, structural change, transformation to make lasting change to deliver better value in the way in which services are provided and our fiscal position being tightly restrained going forward. I obviously agree that we need to grow the economy, and I am pleased that we have the Economic Development Fund to facilitate economic growth, but we also have to look after what we have and protect the jobs and businesses that we have, which are so important to our future.

Sir, the T&R Minister's foreword was quite optimistic and upbeat last year, with expectation that 2015 was in fact to be the last deficit year. Like him I am disappointed that the deficit persists,

1425 and concerned about escalating cost to the individual of taxes, charges and other increases that are adding to an already high cost of living on this Island.

People, sir, are worried about the prospect of further increases in TRP and how they are going to manage that, together with property and refuse rates escalating at the parish level. They call for more fiscal discipline across the board by the States. That is my call also.

1430 I look forward to immediate short- and medium-term objectives to rid the Island of the deficit, to restore the Contingency Fund to the 2006 level, to continue restraint in public expenditure and to support reforms to the public service.

Thank you, sir.

1435 **The Deputy Bailiff:** Deputy Green, to be followed by Deputy Lester Queripel.

Deputy Green: Thank you, sir.

1440 Just picking up on what Deputy De Lisle said a moment ago: he is right, the foreword by the Minister for T&R in the Budget last year was optimistic – and rightly so at that time. Perhaps that is a reminder of what Harold Macmillan said once in terms of ‘events, dear boy, events’ and that is exactly the situation that we are in. (*Interjection and laughter*)

1445 Sir, all in all, I think T&R have developed a responsible Budget with the right judgement calls overall, and it is fair to say it is probably not a crowd-pleasing Budget, and it might well be difficult for some Members of this Assembly to sell this financial Budget on the doorstep quite soon. But generally speaking I think it deals with the issues at hand with integrity, and notwithstanding the difficult circumstances that have cropped up.

Like others I will be voting against Proposition 6, save for that I think I am probably going to be supportive of all of the other Propositions as amended.

1450 There were four points I wanted to make. Firstly, I do support the extra investment for the Health Services. In my view, although that is clearly a big U-turn by T&R, albeit not unjustified – and clearly they are departing substantially from the relevant fiscal rule in terms of no real terms increases in public expenditure – I do not think they or we have any realistic alternative given the very clear evidence-base established in the BDO evaluation.

1455 I am, like others, perhaps reasonably sceptical about the sums of money that it is believed can be saved in the future by HSSD under the current model, but I hope realistic efforts can and will be made there – but I do think there is an issue there about the management of expectations. Of course, we want to see genuine transformation of the services, and clearly there are no quick fixes, but I think we have to be careful not to get too carried away about those rather optimistic savings, that some seem to think can be made in that service. But nonetheless, it is a good opportunity to leave no stone unturned there. It is a golden opportunity as Deputy St Pier said at the start.

1460 Sir, as committed as I am to investment in the Health Service this should not be this Government’s only focus and as we are the custodians of other public services as well... it is a trite point but I think it is worth making: I do hope that States’ Members will not forget that the public services of Guernsey are not purely made up of Health and Social Services – for example investment in Education and in our young people, and in our social services and our social care must always play a part in this Island. Education, in particular, should never be a second fiddle, in my opinion. We have to upgrade the skills of every generation and our workforce, and if we want to have that strong enterprise economy in the future, that is what we have to do. So, I hope that will not get lost in all of this because sometimes I think it does.

1470 Secondly, I do applaud the firm and decisive action recommended in this Budget by T&R on corporate tax reform, as others have said. The reputation – I think it was Deputy Fallaize who said this this morning – of this States for extending the 10% rate is enviable and is second to none; and the extra £15 million or so in revenue that has been obtained through the careful and sensible approach of Deputy St Pier and his colleagues is to be commended.

1475 I did also agree with what Deputy St Pier said in his opening speech about the need for stability, because I think having extended that regime to some extent on a number of occasions,

1480 we absolutely must ensure that our Island's general reputation for a stable business platform is not upset any further. We must not lose that reputation because that stability plays a big part in how this Island is so successful in wealth creation and in driving economic growth, which we require to create the jobs that will then create the revenue that we can then use to invest in public services. And we should perhaps think about that stability, and the need for that stability, perhaps more than what we have done.

1485 Thirdly, again like others, I am disappointed if not surprised that the personal income tax allowances will be frozen again. And I accept that if we are to raise those allowances for low- and middle-income earners in this Island we must work out a sensible way of paying for those, and clearly withdrawing tax allowances for some of the wealthiest income earners in our Island is, in my opinion, the appropriate way to do that. I hope we will be heading in that direction sometime soon because there is no doubt that the Island's lower paid, and middle Guernsey, if you like, I think they need a tax break – and sooner rather than later... well frankly, if we leave it too long I think there will be many more families and individuals who will decide ultimately that they should offer their talents away from the Island and elsewhere.

1490 Finally, Deputy St Pier spoke in his opening speech about the need to manage the demand for services in a better way, and he spoke of the possibility of contracting or ending some existing services. Now, as much as I am in favour of a balanced budget and good public services at the same time, I was struck and somewhat concerned, by those comments. I agreed with what he said about the need for better prioritisation of revenue spending and I think that has been a constant theme – certainly in this political term – in terms of the absence of any proper mechanism to do that. So I did agree with that. But I did appreciate the history lesson that Deputy Fallaize gave us this morning, not for the first time I think, in terms of the history of the level of this Government's income since 2000 versus the position with expenditure.

1495 I think there is something in what he said. I think as much as I am in favour of reducing inefficiency and clamping down on waste and controlling spending where we have to, and focusing our spending on the priorities that we want, and perhaps being less focused on non-core areas... we do have to get real about the levels of *income* that we generate.

1500 That brings me to the other point that Deputy St Pier certainly implied – I am not sure whether he actually said this, but it was certainly a strong implication in what he said – because I was concerned and a bit confused, that what was underlying his message against this comment that he made about the possibility of stopping services or contracting services in the future, was that was at least in part based on the fact that this Government who rejected GST earlier on in this term, in April. I was not entirely sure where he was going with that, because my understanding was that when GST was proposed by the Social Security and Treasury & Resources Committee earlier on this term it was a tax diversification measure – it was not expressly to raise more in income from people.

1505 The implication seemed to be that because this Assembly had said no to GST, *ergo* there could well be or there may have to be, contraction or ending of public services. So perhaps Deputy St Pier could clarify that when he responds, because I do not think that is inevitable. I think maybe he was implying that GST could be revisited by this Assembly as an express mechanism for raising more in funds. Perhaps that is what he meant?

1510 Nonetheless, sir, all in all I do commend this Budget. I think generally speaking it is a responsible budget, it is the right set of measures; and save for Proposition 6, I will be supporting all of it.

1525 **The Deputy Bailiff:** Deputy Lester Queripel, to be followed by Deputy Domaille, to be followed by Deputy Conder.

Deputy Lester Queripel: Thank you, sir.

Sir, my brother, Deputy Laurie Queripel, has already touched on this, but there was a headline on the front of *The Press* on Tuesday which told us that pensioners and young families will be

1530 worst hit if the retail tax in Proposition 3 is approved. The article itself told readers that a leading industry source issued a stark warning that stores would have little choice but to increase prices for consumers.

1535 There are many reasons why I am concerned about that because, if that does happen, what it will mean is that fellow Islanders who already struggle to survive financially will have even more of a struggle on their hands. Unlike my brother, sir, I did take some comfort from the comment Deputy Le Lièvre is reported to have made in the article. Deputy Le Lièvre is reported to have said:

'It would be extremely unfortunate if major supermarkets took that attitude, but I think they are a lot more responsible than that.'

1540 Well, sir, I can only hope that that does turn out to be the case, but of course it might not do, and retail prices might increase dramatically causing further hardship for fellow Islanders who already struggle to survive. The irony is, of course, that anyone who finds themselves in that position can always go to Social Security and apply for supplementary benefit. So in a very real sense the States will be taking in new money on one hand and giving out that new money from the other.

1545 At this point, sir, I would just like to remind Islanders that if they find themselves in that position they should not be embarrassed to apply for supplementary benefit, and they can always phone a Deputy to ask for assistance. (*Interjection*) I will give way to Deputy Fallaize, sir.

Deputy Fallaize: I am grateful to Deputy Queripel, but would he not agree with me that this is the kind of thinking which has resulted in the income of the States as a proportion of the size of the economy declining; in that if we constantly worry about the effect that any increases in income may have on a small proportion of the population – and resolve not to increase the income that is drawn in on everybody as a result of this small proportion – then we are not going to rebalance public finances?

1555 And that we do have in place a very reasonable and well-managed system of benefits through Deputy Langlois' Department and that people in Guernsey should not be in any way afraid of using that benefits system, irrespective of the reason they need to use it? But our wanting to protect people from Deputy Langlois' Department is not a good reason to keep taxes and charges low on everybody?

1560 **Deputy Lester Queripel:** Sir, I thank Deputy Fallaize for that reminder. I think it just bears out what I am saying, in that Islanders should not be embarrassed because that is why the system is there to help them – and Deputies are here to also help them. So I would urge Islanders in that position to call a Deputy and enlist their support.

1565 Sir, I hear what Deputy Fallaize says and I hear him talking about balance, and perhaps our perception of balance slightly differs in this instance, because I am going to vote against Proposition 3. I understand we are in a dilemma and we are in a difficult position, because several members of the public have told us on more than one occasion that they think businesses should pay more tax and we, the politicians, have to be mindful of that – but prices could increase.

1570 Sir, I do not want to risk increasing costs for our fellow Islanders and I do not want to increase the risk of paying out supplementary benefit for the Social Security Department. On those grounds, I shall be voting against Proposition 3.

The Deputy Bailiff: Deputy Domaille.

Deputy Domaille: Thank you, sir.

1575 Firstly, I would like to endorse all of the comments made by Deputy Soulsby and Deputy Harwood on behalf of the Public Accounts Committee. I have said before I think the Committee works extremely well and they spent quite a long time on this, and I totally endorse their

comments, which I think are well made – and I am not going to repeat them because that would just be boring.

1580 I would just like to add my thanks though to the Treasury Minister and the Treasury Department for all the work they have done over this States' term. It has not been an easy time – and some of the comments I am about to make may be taken out of context – but I really do appreciate the work they have done. You must remember that the decisions that have been made are made by this Assembly, *not* by the Treasury & Resources Department. So when we criticise we are criticising ourselves, which is fair enough, and let's keep that in mind.

1585 Sir, on balance, actually I think I will be supporting these proposals – not Proposition 6. But I think, given where we are, Treasury & Resources have done a good job, so I think that that needs to be said. However – there is always a however – I think we do have to be alive to the fact that this Budget is recommending an increase in taxes, the freezing of personal allowances, and breaching one of the fiscal economic plan's key objectives. We are clearly at risk of not living
1590 within our means.

Sir, this is this Assembly's last Budget and we will shortly be passing the battle on to our successors. And I agree again with the Treasury Minister that our successors are going to be facing some considerable challenges – and I think it really is well worth reinforcing that point. We continue to live in uncertain times, both nationally and internationally, and there are potentially
1595 serious external threats.

Internally, we are running a deficit of in excess of £20 million a year since 2009, our growth rate is falling... we have growth, but it is falling. It was 4.2% in 2012, 1.2% in 2013, and 0.9% in 2014. Our housing market is stalling and our credit rating is under threat. We have an ageing population and an increasing demand for services. The latest Independent Fiscal Policy Review has
1600 emphasised the need for even tighter discipline on expenditure, and the authors have also stated that we should be achieving annual revenue surpluses of 3% of GDP – £65 million a year on current performance. On our current income and expenditure levels this is an impossible target for the next Assembly.

Sir, if this Budget is approved – and I have already said I am going to be supporting it – then this Assembly will have broken its, and previous Assemblies', commitment to a real term freeze in
1605 aggregate States' revenue expenditure. This will be a serious problem for the next Assembly to address. I mean it is a major, major problem for them. We have introduced borrowing of £330 million – and so far this borrowing has cost the taxpayer almost £15 million.

Future States are committed to paying in excess of £11 million in interest every year for the next 30 years – and to repay the £330 million at the end of the period. The next Assembly is going
1610 to have to grapple with ensuring that these funds are spent wisely with everything that is going on around us in the world.

We failed to meet FTP savings targets and are still not as efficient or as effective as we could be. We know this because the BDO report demonstrates that, and indeed we have established the
1615 Transformation Fund to help us deal with this problem; and again it is a problem for the next States. The next States are going to find it very difficult.

I have heard about increasing taxes and increasing income, but they are going to find it very difficult to justify increasing taxes when actually there is a big question mark over how we spend
1620 our money presently. With regard to taxes we have already raised tobacco duty by 26%, alcohol duty by 19%, fuel duty by 30%, domestic TRP by 37%. We have reduced the mortgage interest relief cap, we have reduced the first vehicle registration charge and increased numerous fees and charges – with more to come in future for items such as waste. These increases that we have already made limit the next Assembly's room for manoeuvre.

We say we will introduce new initiatives and services including pre-school education and the disability inclusion strategy – but we have insufficient funding to deliver them. We have other
1625 work streams in mind such as SLAWS, which will almost certainly require additional funds. The next Assembly is going to struggle to fund the delivery of these services without cutting other services or raising taxes further.

1630 Sir, a member of the public – now we have just talked about passing the baton – has actually said to me we are not so much passing the baton, as a stick of dynamite. (*Laughter*)

Sir, having made these general comments, I should like to focus on capital spending and the SCIP process. The SCIP process had its genesis in the former Capital Works Sub-Committee and at that time I was actually its officer. In fact you could say I was the earlier version of the SCIP process, although I was not paid over £800,000 a year to do it! (*Laughter and interjections*)

1635 I was more inclined to say yes, that is true. (*Interjection*) Sir, a principle failure of the Capital Works Sub-Committee process was its failure to pass on skills and lessons learnt from one project to another, from one committee to another, and it was a major failing of that process. But its biggest failing was the absence of prioritisation.

1640 The SCIP process, as Deputy Ogier has already said, has significantly improved the way we deal with capital projects at all levels and at all stages, from inception to completion, occupation and ongoing maintenance, and I fully support... and here I agree with Deputy Ogier the principle aims of the SCIP process. However, it is not without its problems... witness some of the speeches that have already been made. On the basis of my previous experience, I suspect that this is partly due to Departments not submitting proposals that are well thought through, realistic or properly specified.

1645 Equally, I suspect this is in part due to an overly-bureaucratic approach to the whole process. Sir, we must have proper checks and balances, which are bound to cause friction. If there is no friction then probably the checks and balances are not robust enough. However, they have got to be appropriate and not a slavish tick-box approach. The process should combine a technical analytical approach with a large degree of common sense; and I asked T&R and I believe they are already on track to do this, but to look at the process with a view to making it more free-flowing. And in this regard I actually welcome the introduction of a move to a rolling programme – and that *must* be a big positive.

1650 This sort of leads me really to my main point and actually the main reason for commenting on this which is: I think the main problem with capital works is one of timing. The current system works around a four-year cycle which fits with the electoral cycle. However, major capital projects take six years or more to come to fruition, and we should adopt our approach accordingly. This would be a more realistic approach and would give the level of certainty that Departments and the construction industry require.

1660 This will mean taking a longer view on funding issues and future Assemblies will have to tailor their actions accordingly. Sir, some will say that Assemblies cannot bind future Assemblies, but infrastructure projects have lives in excess of 30 years – and in some cases 60 years or more. It must be folly to approach these projects in a short term way. After all, we have agreed a 32-year Bond, which at least in part is intended to fund some of these works.

1665 Sir, a longer capital prioritisation and funding cycle fits well with the proposed rolling programme. It will introduce realism and certainty into the process and I ask the Treasury to at least investigate looking to lengthen this cycle. I suggest six years and my experience would indicate that would be a reasonable period to do so.

Thank you, sir.

1670

The Deputy Bailiff: Deputy Conder to be followed by Deputy Dorey.

Deputy Conder: Thank you, sir.

1675 Like so many others I wish to pay tribute to the T&R team and in particular the T&R Minister. It is inevitable that none of us can agree all the time with the decisions that have to be made by Treasury Department, but in my experience they have always been dealt with courteously and with huge intellectual rigour – (**A Member:** Hear, hear.) and I commend them, all of them, and particularly to Deputy St Pier for his leadership. It is one of the hardest jobs in this Assembly.

1680 Sir, I just have two points to make, because many of the points I might have made have already been made. One relates to the Bond, and I make no more comments on its efficacy one

way or another now. It is in place. What I have not heard – and I would be very grateful if Deputy St Pier could respond – is what plans we have for creating a reserve to repay this, or our successors repay this. It will have to be repaid in 2046.

1685 We had discussions about sinking funds yesterday and they were rejected in terms of capital projects. Historically, sinking funds were established for precisely the repayment of bonds, and regardless of what levels of inflation we experience over the next 32 years – and there will be some inflation, which will mitigate the real impact of our successors having to repay £330 million – there will be a real cost attached to that.

1690 I would encourage him and his colleagues to lay down some sort of policy, and it could be – and it probably should be – a sinking fund, which was ring-fenced for making sure our successors both lay down enough reserves in anticipation of the repayment of that £330 million; and that it is there without undue call upon other reserves when that day inevitably comes that we have to repay it. Hopefully, without having to take out another loan to repay the previous one – which of course much less responsible governments do in other jurisdictions. Sir, I would be very grateful
1695 for his response on that.

I said two points, if I can crave your indulgence perhaps with a third one. I did pick up the issue in terms of a possible GST which we rejected of course, and one does get a sense now it is being possibly reintroduced, or refloated as an idea for generating additional income, rather than it just rebalancing – as was the case when it was put before us – our tax take. If that was to be the case then the disadvantages which I and others adumbrated in the debate still lie there, but that case would need to be made. I think there are far better ways of generating additional income if that is what we need, without creating yet another tax, but I think Deputy Green invited Deputy St Pier to respond on that, and I would welcome that.

1700 My last point, sir, is one that has already been raised, which is in respect of Proposition 6. I think perhaps the clue was given in Deputy St Pier's and Deputy Kuttelwascher's amendment, where they did propose to defer Proposition 6 until 2017 to give them time to have discussions – or their successors to have discussions – with particularly those parties who are very exercised about this. I think if they had not simply said 'Defer' but had said 'Defer indefinitely until those discussions have taken place and come back with a new set of proposals', I certainly might have been inclined to vote for that amendment. It was the fact that it was simply a deferral and would have come in in 2017 instead of 2016 that was unacceptable.

1710 Let's just remind ourselves there are real losers if Proposition 6 goes through, even as amended. (**A Member:** Hear, hear.) Carers of all sorts – carers of elderly members of the family, carers looking after parents who are suffering some form of dementia; the ones we have already discussed in great detail – young families with pre-school children. And I believe these were unintended consequences.

1720 So I think like so many people, I would *urge* this Assembly to vote against Proposition 6 and give the Treasury & Resources Department – or their successors in the P&R Committee – time to reconsider some of the good ideas in Proposition 6; and perhaps alleviate what I believe may have been the unintended consequences upon some parts of our community, which would have been seriously affected to their detriment if Proposition 6 as drafted – or even as amended – was approved. So, please, colleagues do vote against Proposition 6. It is extremely important that Proposition is rejected.

1725 Thank you, sir.

The Deputy Bailiff: Deputy Dorey, to be followed by Deputy Brouard.

Deputy Dorey: Thank you, Mr Bailiff.

1730 I will pick up some of the comments made by other Members – and I speak about share transfer duty, married person's allowance... most of those points, and the Alderney tax cap, have now been covered.

1735 Just to pick up some points on the Bond issue. I think Deputy Domaille spoke about the Capital Prioritisation and some of the projects will be financed from the Bond issue, but hopefully that is not the situation. The capital prioritisation is for projects which are funded from the Capital Reserve and those which have an income, and only those which have an income which will finance the bond issue should be separate to that process.

1740 I share the concerns others have mentioned about the Bond issue and about the amount that we have borrowed, particularly when you look on page 55 and see some of the comments against the projects which we agreed... which were the reasons why we agreed for the quantity of the loan.

Guernsey Housing Association: Balance is not cost effective to refinance at this time but additional requirement anticipated in due course

Alderney Housing Association: Not yet required

Guernsey Electricity: Not yet required/financed by short-term...

Guernsey Electricity [again]: Not yet required

Cabernet Limited: Not cost effective to refinance at this time (£14 million)/Proposed to be recapitalised (£8 million)

Cabernet [again]: Proposed to recapitalise

Ladies' College: Funded by private sector borrowing

I would just like Deputy St Pier to explain in his summing up, about effectively I think we were misled about the need for some of the finances, and why the situation has changed to such an extent. Because I think if those notes had been against the proposals in the 2015 Budget Report we might have had a different outcome to that debate.

1745 Deputy Trott mentioned about the growth in wages in the public sector compared to prices, but I do not see that as a negative factor. I think in the long term, wages are going to grow by more than prices – that is how we improve people's living standards, that is how we get economic growth. All long-term projections are based on the fact that wages increase by more than prices, and that is also the historical situation. So it does not come as a surprise to me and in some ways it is a good thing. I will give way.

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Deputy Trott: I am grateful to my longstanding friend for giving way, sir. (*Laughter*) The point I was making is a particularly valid one bearing in mind what Deputy Dorey has just said.

1755 What I said is that during the period that he and I handed over the reins, sir, at the Treasury Department back in 2008 to now, income has risen by 10%. Now public sector salaries represent more than 50% of our general revenue expenditure and *they* have risen in the same nominal terms by 30%. Income up 10% if you like, expenditure on salaries up by 15% as a measure of the overall cost. That is clearly unsustainable.

1760 **Deputy Dorey:** It is perhaps a reflection of the policy which was there after Zero-10, was that we were going to grow ourselves out of the problem – and we have failed to do that. That was the basis of all the calculations.

1765 Trading entities: I really do struggle to understand the logic that we expect the Electricity, the Water, the Post consumer to pay for the running costs, the capital costs, dividends – and now special dividends – to General Revenue. Yet for the traveller, who is probably better off, we have subsidised them by recapitalising Aurigny. I just cannot understand the logic.

The local traveller – it is a recreational activity travelling off Island – and the business traveller... why should we be subsidising them? And effectively, using the money from the Electricity, Water and Post consumer to do that. It does not make any sense.

1770 Now, if there is any logic perhaps we should be subsidising the visitor – but then that is Visit Guernsey who should be subsidising that and they need to make that argument. But there is no argument for General Revenue to be subsidising the traveller. They should pay what it costs to travel – just as we expect the Water, Post and Electricity consumer.

1775 And I really do not understand, with the level of money that is going into Aurigny, why we cannot have the full accounts of Aurigny. (**Several Members:** Hear, hear.) I think what is in the

Billet is totally unacceptable. I do not agree with the arguments about competition. There are many public airlines who have their accounts published. We should see the full accounts of Aurigny and they should be published. (**Several Members:** Hear, hear.)

1780 On that basis I welcome the review by BDO who seem to change from FTP to BDO as the three letters which are the key. (*Laughter*) We do need to adequately finance our Health Service. I welcome external bodies checking on us because that is obviously how we are to ensure that we maintain our standards; but I do have a serious concern for a population of 63,000 the size of hospital we have got, is not the situation which is replicated in the UK. I do think that we do need to pushback at some point against some external bodies, otherwise I feel our Health Service will become unaffordable.

1785 Share transfer duty: I will start by looking at... and following on from Deputy Fallaize's speech about income. Obviously I think the most worrying part of this Budget is on page 1 where we see that Revenue Income was budgeted to be £406 million and it was £385 million. So we were £21 million short. And that has been the problem.

1790 I think we have done a reasonable job in controlling expenditure, but our income sources have fallen away. I mentioned before we were going to grow ourselves out of the problem and we have not. I think it is highlighted by the 'health warning' which is on page 37 where it says in the Budget Report:

Notwithstanding that the current deterioration in income receipts is considered to be a short-term issue, there is a risk that recovery and growth may not be in line with expectations'

1795 Obviously, now we have basically used our General Revenue Account Reserve, if that same situation happens again how are we going to finance it? And that is a real worry, because ultimately it is the Capital Reserve, I fear, that will take the hit because we will not have the money to transfer to it, unless we are going to draw down our Contingency Reserve – or whatever it is called now. (*Laughter and interjections*)

1800 We should be maximising income from all sources so I wish to comment on Document Duty. I know I have been a frequent critic of Document Duty, because it taxes transactions not ownership and it results in variable income. Tax on immovable assets should be guaranteed, it is a thing that should be written in ink at each Budget because we know that money is coming in; but because we tax transactions to such an extent it is a variable amount. We also know that it has an effect on the property market. If you tax anything it will deter people from doing it and it discourages the best use of our built assets.

1805 The point I really wish to make is it is also an unfair tax because of avoidance. Companies that own property can transfer the ownership by share transfer, so the company still owns that property but the shares are sold therefore there is no Document Duty to be paid on this. This is well known it has been there for a long time. You can look at the advocates' websites and they say it is particularly used in high-value domestic properties like in the Open Market and commercial transactions. This is a loophole which we should have closed. (**A Member:** Hear, hear.)

1810 Now, our friends in Alderney recognised this loophole and they introduced a law in 1994 to close the loophole in Alderney. I would just like to go through the history, because we have recognised it but what has happened in Guernsey? I would like to go through the situation and read back to you from some previous Billets.

1815 So if we go back to December 2011, the 2012 Budget, we were told:

It is intended that, following consultation, a States Report recommending the introduction of, and setting out the detailed provisions of, a Share Transfer Duty regime will be prepared during 2012.

The introduction date of Share Transfer Duty will be dependent on the priority given to its drafting by the Policy Council, as advised by the Prioritisation of Legislation Working Group, and its subsequent progress in obtaining Privy Council approval, but it is intended that the new regime will be in place no later than 1 January 2014.

Then I move on to the October 2013 Budget Report, which is for 2014, and it says on share transfer duty:

'... it is anticipated that a States Report containing the detailed policy together with the draft Law will be submitted during early 2014.'

1820 October 2013 saying it would be early 2014. Then we go to last year's Budget Report which we debated in October 2014. It said that:

'... it is anticipated that a States Report containing the detailed policy together with the draft Law will be submitted during early 2015.'

So we now turn to the current Budget, and it says:

'... the Department has recently consulted with the Guernsey Bar Council on the draft legislation and is intending to submit a Policy Letter for consideration in early 2016.'

1825 This is not good. Why? Because there have been some very significant sums of money lost to General Revenue. We know that we are through 'Relocate Guernsey' encouraging Open Market use and encouraging new residents and undoubtedly some of them will be through share transfer. But, I really highlight commercial properties.

1830 There have been some very significant transactions in recent times, involving tens of millions of pounds – one transaction alone at 3% which is the rate of Document Duty, would have generated over £1 million worth of income for the States, but because of the lack of progress on this we have lost that. I think that is not acceptable. If another department identified such an income source and failed to progress and repeatedly informed the Assembly of dates that they were going to deliver and failed to do that, they would be very heavily criticised by T&R – and quite rightly.

1835 So I think this Assembly deserves a very full explanation why they have failed to deliver. It is not acceptable to continue to miss the time frame where, effectively, we are leaking so much money when we have a problem of collecting income. I did ask the T&R Minister yesterday, but perhaps he will not be able to give us... but I would like an estimate of how much income has been lost. I would also like to understand are they going to meet this latest scheduled date of early in 2016? And what does early 2016 mean? What month?

1840 Married person's allowance: I do not want to repeat the speeches made before, and Deputy Conder I think highlighted the fact that T&R proposed delaying it themselves, and obviously some of the Members did not support that because they were totally opposed to it. I would ask T&R as they themselves believe they need to consult more, to ask the States not to support that Proposition. I think that is the only thing they can do in relation to the fact that they have asked the States to delay it – and the States has not agreed with that – is asking the States not to support Proposition 6.

1845 We know that the States rejected it in the Personal Tax and Benefits Report, they voted 15 to 25 against. And I will also remind Members that we have just debated about giving 26 weeks maternity leave for mothers. That will mean that many of those families will hit the problem, if they take that leave, of having lost out because they do not have the married person's allowance as in a transfer. So I would ask you to vote against Proposition 6.

1850 Finally, sir – and I apologise I have gone beyond 12.30 – the Alderney tax cap, Proposition 8. I would ask you to vote against that. (**A Member:** Hear, hear.) Deputy Bebb made some very good arguments in the debate on extending the period from five to 10 years but if you look back to what the States decided in January 2014, when we discussed the Airfield of Alderney Report we said we were going to look at the... sorry I have got the piece of paper in front of me... yes, we were going to look at depopulation and economic situation.

1860 It is interesting that the depopulation situation, when you look at the latest Electronic Census Report it shows that though Alderney had a problem of net migration of 51 in 2011, it was only one in 2012 and it was a positive four in 2013 and 2014. So the latest figures indicate that the depopulation problem is not anything like it was feared to be.

1865 I do not think we should be voting for a reduction in the tax cap without the evidence of a proper report. We need the information and the evidence, it is not a coherent approach to do that. But to give the lower tax cap before we have the report, in my view is irresponsible. We are potentially losing up to £60,000 tax per person who comes in and I think that that is not a good way forward, particularly when in the Tax and Benefits Review we decided that we wanted a more progressive tax system, and that was one of the proposals which was approved and it does not seem to be consistent with that.

1870 So I ask people to vote against Proposition 6 and Proposition 8. So firstly we can make an informed decision about the Alderney situation once we have the information report. And, as Deputy Perrot said yesterday, if we are giving away tax breaks they should be with conditions. We should consider if they want to set up a business, if they want to risk capital and employ people, perhaps that is the time to give tax breaks, but to give them unconditionally I think is totally wrong. I also urge you to vote against Proposition 6 on the married person's allowance.

1875 Thank you.

The Deputy Bailiff: The States will now adjourn until 2.30 p.m.

*The Assembly adjourned at 12.40 p.m.
and resumed its sitting at 2.30 p.m.*

**Annual Budget of the States for 2016 –
Debate continued**

The Deputy Bailiff: Deputy Brouard, to be followed by Deputy Kuttelwascher.

Deputy Brouard: Thank you, sir.

1880 First of all, sir, I would like to say that the vast majority of the Budget has my support and I would like to add my thoughts as well with colleagues, the amount of work that T&R and the team have put in to put this together. It is not an easy piece of work, they are balancing some quite awkward, different things together to bring up the Budget, so I think they have done a tremendously good job.

1885 I welcome Deputy Green's question, actually: GST seems to be more important in its *demise* than was played in its rise, as in its rise it was just one option in the mix. It now seems it was the only ingredient, or at least more important than was played previously.

1890 I would also like to add my support to my western colleague with regard to the Bond, and I was just wondering – I did not ask the Treasury Minister beforehand, but if he just has some indication – with roughly the best part of the Bond of £200 million unallocated, the coupon due on that amount would be roughly about £7 million per annum, which obviously needs to be funded... the money that we are holding waiting to be used or allocated, is that earning more than the £7 million coupon that is due, or is that having to be topped up by General Reserve to make the coupon payment? Or is it balanced?

1895 Finally, sir, I do agree with Deputy Fallaize, I think this Budget is treading water – and I suspect the next Budget will also be treading water – but he is right, we are going to need a Budget that funds more in the future to be sustainable and be balanced in order to cover our capital. So I think we will need to have a more dramatic change as time goes on, but I can see for the next couple of years more of a holding position, but we cannot hold for ever. There are too many pressures on the accounts.

1900 Thank you very much, sir.

The Deputy Bailiff: Deputy Kuttelwascher, to be followed by Deputy Brehaut.

Deputy Kuttelwascher: Thank you, sir.

1905 I would first like to comment on Deputy Fallaize's last comment at the end of his speech about, he implied that we – and I do not know whether he meant T&R or the States as a whole – are deliberately taking a smaller percentage of GDP in revenue. I do not think there is anything deliberate about it at all. One of the problems we have – and it is one I have identified in the past – is that there is no direct correlation between GDP and tax revenue. There are a number of reasons for this and I will not go into those, but it is something that just happens to be a reality. You could have GDP going up and tax revenue going down, with our current tax base, and it has been demonstrated in the past.

1910 As regards some comments about the way we forecast our revenue, it just highlights the problems you have if 75% of your revenue happens to be income taxes of various sorts which are notoriously difficult to forecast, if not impossible. In the 2014 accounts we were very close to the mark, in fact we were about 1% to the good. This year it has gone the other way, but that is a fact of life, of our over-dependence on income taxes as our major source of revenue. That was highlighted under the Personal Pensions Taxation and Benefits Review, and one way or another will need to be addressed.

1920 The next bit, the spectre of the Bond, I shall leave to the Minister of T&R because he sits on the Bond Management Committee.

I variously describe budgets in different ways: the last one I described as being realistic, and this one I will describe as being smart. The reason for that is that it is politically acceptable. Now, a lot has been made of us busting our fiscal framework rule but it has been done with some conditions, and believe me the alternative of staying within the rules and asking all departments to reduce their budgets by 4%, I think, would have had absolutely no chance of getting past this Assembly, so there would have been no point in suggesting it.

1925 Sir, our cavalry is the Transformation and Transition Fund and that has to succeed, we do not really have an option in succeeding in transforming the way we do business – and we need a reform dividend. It is essential. The real task... and the hope is that we can transform and reform, and obtain this dividend, at a rate equal to or better than the increasing demands on our services which will demand increasing revenue. Is that possible? Well that is up to you and me, and whoever sits here in the next Assembly, but my view is that we do not really have a choice otherwise we are in deep trouble.

1930 Some of these transformation issues, especially around e-government, have got potential for vast savings, large savings – at least 10% shall we say, even of our spending on salaries of staff. It has been demonstrated in other jurisdictions, places like Estonia, there are big savings to be had and you could at the same time produce 24/7 services to the community and all they have to do is pick up their iPad, iPhone or computer. That is a real possibility and I feel it will have to be delivered.

1935 The BDO Report on Health has identified areas of savings and the same will be done, I am sure, for their investigations into Education and Home, and possibly elsewhere. These transformations, which are possible, will in greater part have to be delivered.

1940 The last thing is economic growth. That has been, as it were, the bugbear of this whole process ever since Zero-10 was introduced. We have been, one way or another, treading water. My personal view is the problem we have is obstacles to growth – and there are plenty of them. Shortly we will be discussing something related to regulation, GFSC regulation, and over-regulation is definitely an obstacle to growth as are lots of other things. I will not go into those in detail but there at least four or five areas at the present time, which really need addressing.

1945 I would like to mention one, and that is our connectivity schedule regularity relating to sea travel: 10,000 people were disadvantaged and disrupted by the recent issues with Liberation. That must not be allowed to happen again and this particular issue will not go away if we remain with our current model of providing ferry services. There are alternatives and they need to be addressed, they need to be looked at and they will need to be delivered.

1955 Having said all that, I am going to support all the Propositions in the Budget, as amended, and I hope other Members do too.

Thank you, sir.

The Deputy Bailiff: Deputy Brehaut, to be followed by Deputy Hadley.

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Deputy Brehaut: Thank you very much, sir.

I would also like to commend Deputy St Pier on his opening speech, I thought it was extremely well put together and he was absolutely right that we need to rise to the challenges; and in doing that you do not always take the community with you but there are things that need to be done, out of necessity, for this community.

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But he did say that this was a Budget for Health and I think he and his board members have reiterated that on a number of occasions. Now if I was sat in that Public Gallery two years ago – or any member of the public sat in that Gallery two years ago – and a T&R Minister would have got to their feet and said ‘This is a Budget for Health’, they would have had to be taken to A&E themselves. *(Laughter)* That would have been such, such a turnaround, that would have been something that nobody in this Assembly could have predicted.

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Now, there are many narratives around this and some are more attractive than others. The most attractive story, narrative around HSSD is this: there is a new Chief Officer, there is a new political board, more business-focussed and that, along with BDO, they found a way forward that is attractive to T&R and that they are prepared, effectively, to frontload HSSD at the moment in the hope that savings will come later on.

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I would remind this Assembly that I resigned from HSSD because a mother lost her baby... *I resigned from HSSD because a mother lost her baby.* Now, people speak of underinvestment in Health, people talk about HSSD overspending, people talk about budget caps... but the reality was because HSSD at that time did not even have the staff to gauge the quantum of the challenge they faced, the budget was held down even further.

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Yesterday, we were hearing from Deputy Peter Gillson – and often in this Assembly I talk about the collective amnesia of this Assembly and it never ceases to amaze me. **(A Member:** Hear, hear.) A States’ Member sent me a link to an interesting article on the *BBC* which was posing the questions: ‘How do large institutions cope after, for example, like VW. What do they do, having got the other side of the situation that they are in now?’ And actually they tend to get to the other side but more likely than not they would do a similar thing or the same thing later on. Organisations like NASA tend, when they take on employees and staff at all levels, to remind them of the failures and put the failures at being the centre of the focus to ensure that failure does not happen again.

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I am not too sure that this Assembly has got that yet. I do not think this Assembly has worked that out, respectfully. This Budget does plug a hole for the moment, but I do not think this Budget is really in the long term... and I know this five year and 10 year-planning for States’ Departments and HSSD, but I do see this as a quick fix, I am afraid.

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What Peter Gillson was saying yesterday, **(The Deputy Bailiff:** Deputy Gillson) I beg your pardon, what Deputy Gillson was saying yesterday, is something that should resonate with you all. I described the Police as, effectively, an extension of Social Services and Deputy Fallaize went on to say the Probation Service, the Safeguarder Service... when a Minister gets to his feet – and by the way he cannot issue lottery tickets to cover his FTP saving. He cannot issue lottery tickets like other departments do to cover FTP savings. When a Minister gets to his feet to say that there may be cuts in front-line services and this Assembly votes out that amendment, I think that is a very dangerous thing to have done, bearing in mind the path that some of us have already travelled with regard to budget caps and imposed saving targets.

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Now, what do reports such as the BDO tell us? Well they give you the numbers, but what they cannot quantify in my view are the risks. What are the risks in an organisation having too many newly-qualified staff? How do BDO make themselves aware of that risk? Well, we know there is a

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shortage of nurses, and newly-trained nurses looking for employment without a great deal of experience are a highly sought-after commodity, and they come at a cost – and Guernsey will probably have lot of those. And how do BDO begin to quantify that type of risk?

2010 Just touching on pay – and I am sorry to effectively major on HSSD – but when we talk about pay, generally the public out there, or commentators, tend to see it in Civil Service terms. But if you look at one midwife’s position currently at HSSD, theoretically you could have a midwife still suspended receiving pay, you will have an agency staff midwife paid a *huge* amount of money, I have to say – I do not begrudge it because it is an agency and it is not permanent – but when you

2015 are working in an environment when the person next to you is getting paid considerably more than you it is tricky.

So you have the person who is suspended, you have the backfill of the agency staff, but of course you still have a position that has not yet been filled. So if the person is not re-employed and that person goes home you still have a vacant position, and if you want to get people to

2020 Guernsey then it is the whole recruitment and retention package. So there are potentially in that one area, I think there are still – and I do not begrudge it – *enormous* costs to be met, and whether BDO touches on that scoping and whether it can get down to that detail and appreciate the subtleties in employment in that area, I am not entirely sure.

I walked home for lunch, because although it is half-term my children are at home, my wife had to go to the Hospital because the NMC were revalidating. I spoke to the person she was with, whose daughter *was* a student nurse on Guernsey... they are no longer a student nurse on Guernsey, they have gone to the UK. And do you know what? They are absolutely loving it. They think being placed in the placement they are, they think it is fantastic to be in the environment they are in. It then poses the question, will they come back?

2025 So in my view, I think this Budget is only really playing catch-up with historic requests for increased funding at HSSD that have been denied, and I think it has been most unfortunate. I think this is just essentially playing catch-up and it disappoints me.

I do believe – sorry, Mr Deputy Bailiff, with the risk of tedious repetition – but I do think, respectfully, it is misguided and it is hugely naïve to believe that you can assist HSSD at this time with a given sum of money, and then they will come back and deliver further savings. I just cannot see how that is going to happen. And just one area I will touch on is the difficult area of lower leg amputations, or above the knee amputations: people start as ambulant, then they are not, then their homes have to be adapted, then they need more social services input. We know that is increasing on Guernsey through diabetes and it will continue to increase. When we talk about

2040 demographic... we always say people just get old and in the last 18 months of their life they need a bit more care, but it is much more varied than that.

Just in closing, sir, I just wanted to say in all of that... I know that that I am a bit of a broken record on budgets and HSSD, I am aware of that, and I do not want to give the Minister of T&R and the board a difficult time because they do have the most impossible task, and generally I am

2045 thankful for the time and energy they put into it. It does disappoint me when I hear, respectfully, from Deputy Lester Queripel and earlier from Deputy De Lisle, when they talk about this community having to shoulder the burden of these tax increases. TRP on Guernsey is embarrassingly low.

As I said in a previous speech, if you have got a static home or a tent on a French campsite it is going to cost you more in a year than it is to have a property in Guernsey (*Laughter*) Well, it will... you will pay €1,500 as opposed to £120 TRP on your home. The very modest increases in tax is including the motor tax element, getting back on top of that the average family will not be burdened with these new taxes, which of course is the very nature of the problem.

2050 So, I hope that whether it is this Assembly at work... but at the next Budget we just might see, and I know I have said this before, but a *serious* attempt. And it will be difficult to... for example, remembering a conversation I had with a States’ Member yesterday, and a whole discussion around do you get rid of Document Duty for example when you are purchasing a property? And

Deputy Dorey mentioned that earlier... and then do you put that housing cost, if it were, into taxation on TRP for example.

2060 I will conclude with that, sir. But again, I do not want to appear to be hectoring but I am extremely concerned. I would not want to get to the next budget to find that HSSD members were here again saying that following the BDO review and following further assessments, that HSSD were going to need an uplift. I think we are going to get there anyway and I think those are the sort of conversations we should be having.

2065 Thank you.

The Deputy Bailiff: Deputy Hadley, and then Deputy Le Tocq.

2070 **Deputy Hadley:** Mr Deputy Bailiff, we were told at HSSD's Budget presentation that the King's Fund Study, Spending on Health and Social Care Over the Next 50 Years, had calculated that if current delivery systems were continued spending would account for half of all UK expenditure by 2060.

2075 The implication was that the same would apply here in Guernsey and that it was unaffordable. In fact, the King's Fund Report did *not* say that at all. What the King's Fund Report said was that the UK Office for Budget Responsibility had projected a range from around 7.5% to 14.9% depending on assumptions about public health, health service, productivity and other factors. It also said that higher spending on health and social care should not be seen as solely a debt or a burden – it is also a credit. Higher spending would improve the population's health, wellbeing and quality of life. It would also have wider positive impacts on economic activity and productivity. It also said that, even if the highest spending was the one that was right, it was affordable.

2080 Now, I am not suggesting that we should waste money on our Health Service, rather I am suggesting that there is no credible evidence that our Health Service will become unaffordable, and that we should listen to the scaremongering of too many politicians. It is worth looking a little more closely at our budget on Health and whether it really has become out of control in recent years.

2085 In 2010 HSSD spent £107,685,000 on Health and Social Services. Now, if you look at the Guernsey book, Facts and Figures, and inflate that figure in line with Guernsey's rate of inflation, it would give you a figure for this current year of £120,512,000 and we would be setting the budget next year of about £122 million assuming a projected inflation figure of around 1%. So allowing for inflation, this Budget is a real cut of £4 million on the figure spent in 2010.

2090 Deputy Adam and I have emphasised in this Assembly over the years that medical inflation rates are much higher than general inflation rates, so if you only increase expenditure by RPI that will probably mean a cut in services,. The estimate of medical inflations rates vary widely, but around four years ago was reckoned to be around 10%. Now in recent years because of pressures in the UK the rate has fallen, but the most conservative estimate that I have been able to find suggests that currently medical inflation is running 2% above RPI. So if you add 2% to the Guernsey inflation rates, that you take from our book on facts and figures, you would now be setting a budget next year for HSSD of £138 million.

2100 In the United Kingdom the Government has faced the same problem, they claim to have increased expenditure in real terms – but nobody believes that. They do concede that expenditure in the UK has kept up with the general inflation rate, but even that has caused them problems. As Deputy Luxon has pointed out, the NHS last year exceeded its budget by a billion pounds – which you would equate to Guernsey's HSSD exceeding its budget by £10 million. The problems the UK have affect us here in Guernsey, because our patients sent off Island for treatment do face the same sort of delays of UK citizens – or even worse, because there is a suspicion that our patients have to wait longer. It also means that sometimes there is not a bed available for Guernsey people. And as again Deputy Luxon has told us, there is expected to be a 50% uplift in fees charged to Guernsey which would add another £4 million to next year's costs.

2110 Let us be clear: while the UK is funding the NHS in line with the general rate of inflation we are not – even with this budget of £118½ million we are still cutting our spend on health care. I would like to ask Members of the Assembly if they have thought of the damaging effect that a poor health service would have on the finance sector, who would be unlikely to recruit and keep high-flying staff; and think of the effect on tourist industry. And last, but most important, think of the fate of those we love and care for who may not receive the treatment they need.

2115 It could well be the time to remember the words of the Liberal Politician Sir Charles Wentworth Dilke who said, 'There are fibs, lies and statistics' – because the work of BDO does not, for me, stand up to scrutiny either. The figures that they have come up with conflict with the fast report that HSSD commissioned in June and they also conflict with the KPMG report that looked at Jersey but took some of the figures from here. We are told that HSSD is going to embark on transformational change.

2120 At great cost we have commissioned accountants from the UK to look at the books and suggest transformational change. They have taken statistics from the UK and elsewhere and compared us against these statistics, and they have highlighted areas where savings can be made; but the areas they have highlighted have been known to staff and board members for years. Five years ago the Chair of Surgery saw the then Chief Officer to urge HSSD to provide the facilities to allow more day care surgery – nothing happened. For years doctors and nurses at our hospital have been telling the management that patients cannot be discharged because of lack of care in the community. Nothing happened. Senior staff in the Children's Services have been asking for resources to look after children on Island so they did not have to be sent to the UK at a cost of quarter of a million pound per year per child, in some cases. Nothing happened. The local clinicians have been consistently ignored. Now, because English accountants paid a six figure sum suggest exactly the same initiatives, it becomes transformational change and it is the right thing to do.

2135 You may say that I have not looked at the detailed work of BDO and do not understand it. Well, I have tried. So I decided to examine the sums for the day patient unit. After a week the Finance Department came up with an answer for me and told me that for an expenditure of £103,000 it would generate savings of 4% of £1.2 million. I am not an accountant but even I could work out that this meant that we were spending £103,000 to save £48,000. Now, if you say this is a short term investment to make continual ongoing savings of £48,000 a year, well it is not because most of these costs are for staff who will continue to be employed. The Finance Department of HSSD admitted the figures did not make sense and promised to come back with revised information. They also agreed to explain why the BDO statistics did not agree with another report that HSSD have commissioned and I am still waiting. I will not hold my breath.

2145 In fact the BDO work is based on incomplete or non-existent data; crudely, all they have said is 'You are expensive, but if you spend money on staff in the right areas you will achieve some savings.' I agree. We have always known that.

2150 Now I am not suggesting that this money is not allocated to HSSD, because the department has been massively underfunded in both revenue and capital costs for years, as I have tried to explain. What I am saying is that if you think this is transformational change for the people we serve – a new buzz phrase – then you are mistaken. HSSD have no track record of making any change at a reasonable pace. The department will get bogged down in business plans and reports before any change is even thought of. The budget projections of HSSD do not allow for any growth in demand, yet if we match the UK we can expect growth in demand of around 5% per annum.

2155 There is no real increase in the budget for HSSD, there is no transformational change, if at last they increase staff in the community more care will be transferred from the PEH to the community, where it should take place. If there are extra staff and some structural changes in the day patient unit then more patients can be treated without an expensive overnight stay. You will not see a return, because any savings will be mopped up by the real and genuine need to treat more people. They are just carrying on the day job.

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2165 Spending in the community should reduce the pressure on the PEH but that will not happen because of the increase in workload, other than 5% a year, which has not been budgeted for. One of my colleagues spoke about the growth in the number of people that the States employ and wished to see a reduction in the number. Well as far as HSSD is concerned, I think I have to disappoint you, because we are so short of nurses – and they were considered to be at an unsafe level a year ago – that the Chief Executive organised a recruitment and retentions task force to make a number of recommendations.

2170 One of the recommendations was to increase the staff in HR by three people and as far as I know only one has so far been appointed. A year later we have the same number of nurses that we did a year ago and had to make staffing levels safe by closing down 10 beds. The message is HSSD is still short of nursing staff and more will increase its costs. In fact, although we have the same figure that we had a year ago in numbers of nurses, more of them are agency nurses as Deputy Brehaut said recently, at a considerably increased cost. If you compare the number of doctors we have here in Guernsey with Jersey, we have about half the number, 45 instead of 92. I just think it is time that the people of Guernsey should be told the truth about Health.

2175 It makes me think that when I was a child my family did not have a refrigerator, a vacuum cleaner, washing machine, central heating – and we certainly did not have a car. Holidays abroad were something that the really well-off indulged in. And of course, high-tech medicine did not exist, nor even the very expensive drugs that are commonly used today. Today a similar middle class family has all of these things that my family lacked, and much more. People are prepared to pay for iPads, laptops, high-spec computers, foreign holidays – and a lack of central heating is considered to be an indicator of poverty according to Social Services Department. Unfortunately, there is no parallel commitment to pay for health.

2180 We are underfunded and expect the people who work in the Health Service – nurses and support staff – to accept lower wages than they deserve, often working hours unpaid because they are caring professionals. Today, we do not use a number of drugs to treat cancer, which are routinely used in the UK, because they are too expensive; and we do not treat a number of serious medical conditions because they are too expensive. You are all aware that we are a bit late on the scene with the meningitis B vaccine, I am not sure whether we have actually approved it yet, and the UK started using it some months ago – but our board decided it had not got the money to implement it when it was first discussed.

2185 The question has to be properly asked of the people of Guernsey: do you really want a good health service, properly funded, or would you rather we cut services? Because this will mean that we do not treat many of the cancers that could be treated, it will mean that people will not have orthopaedic surgery, such as hip replacements, in a timely manner unless they can pay. Increasingly it will mean there will not be the money to fly people off Island for treatment as NHS hospitals cannot take our patients – and we cannot afford to pay for them anyway.

2190 So I would just like to repeat, this Budget is being sold to the people of Guernsey as a Budget for Health, with a real investment for transformational change. Well I do not think it is. And I think this Assembly is being misled by the suggestion that this change in service delivery is greater than it really is, and by suggesting that you will get your money back – because, and I emphasise again, in real terms since 2010, HSSD's budget has been cut. You have been told about possible savings, but not about the real pressures on the service.

2200 There are savings that we can make and I said years ago that the GPs made £2 million a year profit out of the A&E Department. HSSD has spent a year wasting time negotiating a change in that contract and all that £2 million worth of saving has been lost. The real pressures come that we have not got enough nurses, we have not got enough doctors, the demand on our services is going up. It is only because of the commitment of all of the staff at the PEH whether they are nurses, allied health professionals, cleaners or doctors, that most patients have not noticed the shortage of money.

2210 So at the end of this I will say again that the King's Fund said that higher spending on health and social care should not be seen, as this Assembly believes, as a debt or a burden, it is a credit –

it improves the population's health, wellbeing and quality of life *and* it will improve our economic activity and productivity.

2215

The Deputy Bailiff: The Chief Minister, Deputy Le Tocq.

The Chief Minister (Deputy Le Tocq): Thank you, sir.

2220 I, like others, join with them in commending Deputy St Pier and his department, not only for an excellent opening speech but for producing a Budget in very difficult circumstances.

2225 Sir, I can say wholeheartedly not only this year but in fact every budget for the last four years has been difficult, but obviously this year is more difficult than others. When I was part of the Treasury Team back in 2004 to 2008, under the benign and alloyed leadership of my great close friend Deputy Trott (*Laughter*) we thought we had it hard then, sir, we thought we had it difficult. We had the preparations for the change to the Zero-10 regime, we had a major reform in property taxation which produced the modern TRP system, and we had changes to motor tax as well, putting it on to fuel. There was quite a lot of work that went on during that period and we thought we were faced with challenges.

2230 But there is no doubt that Deputy St Pier and the current members of the Treasury & Resources Department have had a much harder challenge than in recent history. That is likely to continue and that I why I welcome this Budget; and this Budget, which at the moment is Treasury & Resources Budget will soon become *our* Budget. It will become a Budget that we vote on and, like others in this Assembly, I will not be voting for every single Proposition but for the vast majority. I cannot vote for the proposals under Proposition 6, as others, but I will support this Budget because they have had to steer a very difficult path through very stormy waters. I hope

2235 also to set the sails – if I can continue the navigational and maritime theme – for the future and for the next Assembly; and particularly because we need to make sure that the handover period from this Assembly to the next period sets that very, very clearly indeed.

2240 Sir, there have been a number of comments regarding staffing and staffing costs, particularly workforce costs. I am going to make some comments on that, bearing in mind the Policy Council's responsibility, but I want first of all to commend the Deputy Chief Minister for all the work that he has done in leading the team that has helped to negotiate on pay matters and pension more particularly of late, (**Several Members:** Hear, hear.) because whilst we might have wanted to see more in terms of savings in that area, again it has been a very, very, tough time. Whilst I have

2245 been part of that team, Deputy Langlois particularly has worked very hard indeed and produced, I think, results which we can be again positive about for the future. And some of those will go on into the future, because of the length of the agreements that have been achieved.

2250 Nevertheless, sir, there remains – and I do acknowledge – some areas of the public sector which could see, and should see, some further reform and therefore some savings. It is wrong, as others have also alluded to, to just think that it is a matter of cutting out high-level, high-paid jobs. It is wrong to think or to come to the conclusion, that all of those high-paid jobs in the States relate to what one might term normal Civil Service jobs. There are obviously a number of very high paid jobs working in our health, professional services, legal services and others and we cannot do without those positions. Sometimes it is exceedingly difficult to recruit to those

2255 positions, because we are working in a market that is also highly paid elsewhere.

2260 Similarly, sir, if we are going to see some change and I – back in the days when I was Chairman of the Public Sector Remuneration Committee, when it existed – also came in thinking that we could make some sweeping changes. We will all be aware that when we come into the public sector we find those sorts of things take time, they cannot be done in a hurried way and we are in a process of doing that. There are some changes that can be made I believe, particular changes in the way in which services are provided, and so the ongoing transformation programme and funding that is essential. And it would have been good if this Assembly in a sense could get behind it and continue, but that is one of the issues we are going to have to be handing over to the next Assembly. It is essential we do that because there are many ways in which we could

2265 provide services and I believe commission services in different ways, that do not need to be provided for necessarily through the public sector, but need to be certainly managed and accounted for by this Assembly.

Similarly, sir, I believe that economic development is absolutely essential – this is where I think we need to realise we cannot have our cake and eat it. Like Deputy Fallaize I am actually upbeat about the economy. I do hear very good whispers of positiveness around, but also challenges; and part of that challenge is the workforce challenge and therefore the working population challenge.

2270 As Members will be aware, sir, I gave them notice of the fact that we will have a debate on population that will be focused on the working population, in a few months' time. That is important because if we do not want to start increasing new taxes elsewhere and if we do not want to majorly change our taxation base, then the only way in which we can grow this economy and return public finance to a degree of health, is by focusing on working population; and making sure that at times such as this – when we have got an opportunity for economic growth – that we are not putting anything in the way of hindering people recruiting the right people to come and work in the Island, but also those who want to set up new industries on the Island. That will be one, not the only, but one way in which we can help focus on returning our public finances into a healthier place.

2280 So finally to summarise, I commend Deputy St Pier again and the Treasury Department. I know it is not the sort of Budget they would have liked to have ended this term with, but like the Policy Council comment at the end of the Budget Report points out:

'We do not believe that this is indicative of the economy in Guernsey, but the need for this Assembly and the next Assembly to focus very much on changing the way in which we provide public services and making sure we have in every area value for money.'

2285 Thank you.

The Deputy Bailiff: Deputy James, to be followed by Deputy Gollop.

Deputy James: Thank you, sir.

2290 I am moved to stand to address the Assembly: we have now had at least five Deputies who have made reference to public sector pay – Deputy Laurie Queripel, Deputy Trott, Deputy Harwood, Deputy Brehaut and Deputy Le Tocq. We were reminded by Deputy Harwood that based on current inflation rates that we could see the public sector pay bill rise by £12 million, I think it was.

2295 We were reminded by Deputy Trott – and he will correct me if I am wrong – but on one occasion I think... I am not sure whether he said 15%, and changed it to 50%, whatever. (*Interjection*)

Yes, I would, that would help me, thank you.

2300 **Deputy Trott:** Thank you Deputy James, I wondered if that would be confusing. What I said was public sector expenditure on wages between 2008 and 2015 had risen by 30% at a time when income was only up by 10%.

2305 But a more accurate comparison, bearing in mind that wages are more than 50% of the cost of the public sector, was to say that income has risen by 10% at a time when wages comparably have risen by 15%. So you can see that it is clearly not sustainable.

Deputy James: Absolutely. Sir, can I thank you, Deputy Trott, for that clarification.

2310 So what my thinking is on this, sir, is that this Assembly could easily be *believing* that we are heading towards a potential public sector pay restraint; and I am sure that would be a fairly popular route to tread. But I think on that, sir, I would urge caution, because what we are talking about in Guernsey is not necessarily a level playing field.

2315 Throughout our existing three distinct public sector pay groups we have huge inequalities and huge unfairness. The United Kingdom introduced their Equal Pay Act in 1970 and that was 45... did I say 1970? I had some strange looks then... 45 years ago. And I think that perhaps we in Guernsey have waited for far too long. We acknowledge – and I acknowledge – that Equal Pay Act was about a gender issue. I would suggest that the 'Equal Pay for Work of Equal Value in Guernsey' legislation – which I think we need – is more about inequality amongst our public sector employees. There *is* a gender issue because there is a gender bias in terms of job descriptions, banding and grading.

2320 So I think it is way, way beyond time that Guernsey really does need to catch up and look at introducing some degree of legislation. I have seen a number of examples where I felt that pay rates in Guernsey pay, compared to public sector nurses and midwives and civil servants, had been grossly unequal. Last year I saw a job advertised in *The Guernsey Press* for a recreation assistant at Beau Séjour. Would you believe their annual salary – for no qualifications and no experience – was more than Guernsey pays a newly-qualified nurse, who after three years of training comes out with a degree?

2325 Now, I would suggest to you that there is a fair degree of inequality there. (**A Member:** Hear, hear.) I do appreciate that this Budget debate is about us reaching a mature and responsible financial balancing of the books. But I do think there is some balancing of a moral responsibility on this Island. I really think that it is way, way past time for us to be looking at some appropriate legislation to address some of those inequalities.

2330 I think just one final comment, sir, on Deputy Hadley's comments. I do not think there is a government in the Western World that genuinely fully funds its health care service; but one of the biggest shortcomings, I think, for Guernsey, one of the biggest problems that I have seen, is that whilst Guernsey continues to deliver, or provide, a consultant-delivered service – and there is no criticism about that – is that what Guernsey has failed to do in parallel to that is develop many other professionals and upskill them to undertake many, many clinical procedures, where we see huge advances in advanced practitioners in the United Kingdom.

2335 Guernsey has been very, very slow. So it is about, as Deputy Le Tocq, I think alluded to, working differently – and if we can learn to work differently we will save relevant monies in the process.

I thank you.

The Deputy Bailiff: Deputy Gollop.

2345 **Deputy Gollop:** Mr Deputy President, sir.

It is interesting that we have heard several times this afternoon the weird expression 'treading on water'. Whether that means the Budget has to be in future done by miracle workers or getting stuck in the mud I am not sure.

2350 Actually the points Deputy James has just put across relating to public sector reform, are very pertinent, because I think we are definitely reaching the stage that we need to go back to the 1960's and 1970's and early 1980's when the State's budget and documents did accurately publish the grading's of civil service posts and the salaries. I think the confusion that is creeping in as to how much people are worth does require a greater openness and transparency. Perhaps more political control as well.

2355 Moving on, there are certainly some points in the Budget I would like to pick out. I would endorse, before I get to that, everything that many Members have said, relating to voting against in general Proposition 6. Although I appreciate I had a successful amendment for part of that, really it would be better if the amended Proposition was not passed, and the whole thing was thrown out. The amendment was only done to mitigate.

2360 Turning to page 8, it is interesting again, Treasury & Resources are banging a drum about Social Security and Treasury & Resources working together. We see at 2.13:

'The Treasury and Resources Department considers that the current lack of integration and co-ordination between the two key revenue raising functions of the States (income tax and social security contributions) means planning for compliance with this limit will prove challenging in the medium-term.'

2365 We have made a bit of progress this year, in that they are both in the same month, if not on the same day. But,

'It is also a concern that the States continue to consider, in isolation, changes to non-contributory benefit rates which consequently affect the resources available to allocate to other Departments through the Budget process. Therefore, it is the firm view of the Department that the next States will need to give serious consideration to reforming the current system and presenting a single Policy Letter incorporating all proposals affecting the States' financial position.'

2370 Well that might be an ideal, but I think it carries the risk of the States' Treasury trying to maybe reduce welfare payments on financial grounds rather than on social grounds. So I think that is an area we have to be very cautious with, because it implies that if the economic situation is not good then non-contributory benefits might change. Perhaps we will come to that more in subsequent debates.

2375 I am surprised too in this debate that we have not focused more on specific measures and Propositions, we have had more of a round robin debate on economic development. For example the biggest single issue of complaint from members of the public is the rather rapid and sudden rise in Fuel Duty. Now, I think I will have problems voting for the scale of that rise on this occasion. Some of us on Environment have been calling for Fuel Duty to be raised in the context of a Transport Strategy; we were given advice by Treasury & Resources that that was extremely unwise for the wider economy, the car economy, economic growth – now suddenly Treasury & Resources, a few months later, have decided to follow that lead but for a different rationale entirely.

2380 **Deputy St Pier:** Point of correction.

The Deputy Bailiff: Point of correction, Deputy St Pier.

2385 **Deputy St Pier:** Sir, I would not normally seek to rise on a point of order at this point obviously, because I do have an opportunity to respond, but it is not correct to say that that is the position that Treasury & Resources adopted in relation to the Environment Department's last set of proposals.

2390 **The Deputy Bailiff:** Deputy Gollop to continue.

Deputy Gollop: We have yet to see motor tax developed as well.

2395 Again, one Member raised a point that cigarettes might go up by 50 pence. (**A Member:** Hear, hear.) Well, I suspect they will go up more than that, because the rate of increase this year is quite draconian. We have seen again a significant rise in proportionate terms on TRP. I am surprised that Members have not focused more on these specific measures, many of which I will struggle to support.

2400 I would also say that on the wider question of the HSSD budget – perhaps until Deputy Hadley – we had not spoken much about the findings of the BDO report as summarised here. But they tell a troubling picture that base costs in Guernsey in the medical sector are substantially higher – and that applies to the Children's Services and the Acute Services. Now, we need to get to the bottom of why that is.

2405 Somebody earlier in debate asked – following Deputy Trott's interventions – why staff costs have been higher than the growth of the economy. The reasons are pretty obvious, they are to do with the continual demands of regulation and health care and greater demands in that area. And I suspect too, for regradings. Although I appreciate the Deputy Chief Minister and others have kept a tight rein on overall public sector pay increases, they do not necessarily exert the same control about upgradings, which has a budgetary impact.

2410 So, I consider there are many difficult areas in this Budget that we need to consider; and it is regrettable that we do not perhaps segment the debate into specific sections rather than what is a rather generalist ramble.

The Deputy Bailiff: Deputy Sillars.

Deputy Sillars: Thank you, sir.

2415 I also want to say it was a very good opening speech, from the T&R Minister, and also the T&R Board have done very well most of the time. I do predict there will be a couple of differences in the next few months. Thank you, I would not want to be disappointed.

2420 The Education budget: very, very brief. We have worked very hard with T&R to come to this budget. It is not what we wanted but we have given in a little and T&R gave in slightly less little. But anyway, we will try hard to deliver this Budget.

2425 What I did really want to say is that we have £720,000 left of the FTP which we are spreading over a number of years, so I am thanking T&R for allowing us to do that. But actually it is the £6½ million we have already delivered that I am quite proud of, and our mantra within Education was always we will not affect the educational outcome of our students – and we believe we have not done that, so we have fulfilled that.

2430 The real reason for standing is, actually, I am very disappointed. Oh I had better declare an interest, my business started up a retail shop in the last couple of months, I had forgotten we had done that. But anyway the 20% tax on retail. (*Laughter and interjections*) We are rather busy in Education just in case anyone wants to understand that. The 20% on profit on retail, for me, for one, and also almost everyone I spoke to said it is so unfair being in retail. The UK retailers, head office is elsewhere earn all their money on our Island and take the whole lot, the whole profit back, and to me that was totally inequitable. And many times I have spoken to the T&R Minister and said this is totally wrong, I have explained it is all part of Zero-10 and it is all part of the EU and you really cannot do very much about it.

2435 So I find it staggering that they have actually come up with, what I think is a very sensible solution to that. The UK retailers will take *all* the profit back to the UK and then guess what? They will pay the tax there. Well the point is they earned some of that money here, and it is only right that we actually keep some of that money here. (**Several Members:** Hear, hear.)

2440 I do not understand why, because the prices are going to rise up and everything else. We have to pay our taxes, the local companies have to pay their taxes, we have not put our prices up because we are paying on our profits – thank goodness we have got profits, if we are paying 20%. So I do find it extraordinary that people are going on about prices rising, when actually I thought it is one of the things they should be congratulated on. (**A Member:** Hear, hear.) So, we do get on and the Christmas card might be in the post soon, I am not sure.

2445 The Bond issue, well that has all been asked and actually I look forward to the answers from that. And, to finish, I will be voting against Proposition 6.

Thank you.

The Deputy Bailiff: Deputy Bebb.

2450

Deputy Bebb: Just very briefly, I realise that we are approaching the end of this debate and people would rather move on with other business, but if Members were to turn to page 18 of the Budget.

I have expressed this before and I think it is worth stating it again. We see here that:

‘It is estimated that the income from Excise Duty on Tobacco will be £8.1million in 2015 and 2016.’

2455 I think it worth reminding the Assembly that the latest estimate available by HSSD is that the cost of healthcare of smoking-related diseases next year, as it has been for the previous year, is £12 million. And that is a £4 million deficit. If we are serious about having fees and charges that

2460 reflect the cost to the economy of undertaking those practices that we would rather they would not, then we realistically do need to increase Tobacco Duty substantially, just in order to cover the cost. But, I do realise that that would also have to happen within the context of removing the ability to have, for instance, Duty Free allowances between here and Jersey, so that we remove the ability of people to avoid paying any duty.

2465 It is an opportunity available here in Guernsey more than in other jurisdictions, due to the fact that we have a regular travelling population as part of our large finance industry. That contributes towards a loophole that I think that we, realistically, must close if we are serious about tackling tobacco and gathering the duty that is owed on tobacco.

2470 The one other point that I wish to make: Proposition 15, as Members will know, is the Proposition where we divert from the rules that we have set ourselves. This is where I go back to the debate that we had on the Pension Tax and Benefit debate, that we set these rules and we talk of them as though they can never be broken – we must abide by them at all costs. Nobody at any point in this debate has said that this rule should not be broken on this occasion, because it is quite self-evident that it has to be in order to be facilitating what is necessary.

2475 I have rather a lovely living room (*Laughter and interjections*) which is quite strange really, because when I first moved in to the house I thought that it was the most hideous living room you could have. It has 1970's curtains and 1970's sort of carpet, which apparently is coming back into fashion, and the first thing I thought is 'I must remove all of this and I must redecorate', but unfortunately it was not really possible back then; and then a few years later you look at it again and you think 'Well it is not brilliant, but it is not that bad'; and now a few years further on and I look at it and I think 'Well it is perfectly fine!' And that is what happens with regard to these rules.

2480 We set them up thinking, 'Oh good Lord we *must...*' and then it only takes a few years of breaking rules before suddenly we get used to it and suddenly it is acceptable. It would not take long for us just not even to mention the rule because that is the normal, isn't it? And just as we said in the previous debate that rule in relation to GDP borrowing was folly, equally this one is folly.

2485 It is nice to have guidelines, I do not disagree with that, but to imagine that these rules are set in stone and that they have to be adhered to slavishly, today has been exposed as folly and we should not try and set such silly rules again. The UK are ruining the day that they have done it on a number of occasions. It is foolish for us to think that we should actually participate in the same foolish behaviour.

2490 Thank you.

The Deputy Bailiff: Deputy Trott.

Deputy Trott: Thank you, sir.

2495 Sir, I shall be brief. (*Laughter and interjections*) I have already lauded... Oh, I was not expecting that remark, that reaction – I will be brief, honestly!

2500 Others have lauded the Minister of T&R and his team, I think deservedly so. Deputy St Pier has told me privately – and many others in this room more publicly, I am sure – that it is the toughest job that he has ever done being T&R Minister. It is the toughest job that I have ever done as well. It is an enormous challenge, and being a member of the department is an enormous challenge as well.

You can tell the efficacy of a budget, the success of a budget, by the number of budget amendments that are successful, and whilst this has faced a large number only a small number have, in fact, been successful, which I think is a credit to the design and delivery of this Budget.

2505 There are some issues, however, that do need to be revisited and, in particular, growth. The Deputy Minister of T&R mentioned that growth, particularly recently, has hampered the numbers, and indeed on page 2 of the Budget Report in paragraph 1.5 we are reminded that the latest estimates predict that we grew by 4.2% in 2012, 1.2% in 2013 and we have dropped below 1% to 0.9% in 2014. This is not a good trend. It is obvious that that needs to be corrected and I think an

2510 all hands on deck approach is necessary; and, like the Chief Minister, I am confident that that position can be reversed, but it is going to require a tremendous amount of effort.

Notwithstanding that, I think most in this room would say that 2% per annum real terms growth is a good target and interestingly if you add those three numbers together and divide by three, low and behold you get a figure at or around 2%. So those should be achievable levels of growth, but we are a little way off that right now.

2515 Sir, health spending and in particular the BDO report on page 73 – if Members have it in front of them, I wonder if they could turn to it – because on that page there are some key messages, and one of the key messages from BDO is this:

‘Health and care costs have to remain affordable within available tax funding allocated.’

2520 Now, of course, precisely the contrary has happened. We have sought to allocate a figure, we have not been able to restrain health costs within that figure and as a consequence we have allocated additional tax to the problem. I agree with others who say that it is a pragmatic... in fact it is arguably the only answer right now.

2525 But where I do not share the view of some other colleagues is that this problem is a short-term one, that it is in some way cyclical. I share the view of others who say that it is structural, I believe that to be the case and I think the greatest evidence of that was captured in the Treasury Minister’s opening remarks, when he said:

‘...that for six of the seven last budgets Health have failed to meet their targets.’

It is the way of the world and it is a consequence of all the issues that we are becoming increasingly familiar with – ageing community and such like.

2530 Sir, on page 39 of the Budget we deal with issues around capital spending and whilst I am the first to accept that T&R’s decisions with regard to Health are pragmatic under the circumstances, I do not agree that our approach to capital spending is. It is quite obvious to me and I am sure most others in this room, if not all of us, that the construction industry is as hungry as it has been for a long time. It is the perfect opportunity to bring forward, to instigate, to procure capital projects. In fact my wife and I are taking advantage of this climate by having a small extension built – every little helps, sir. *(Laughter)*

2535 What makes this point particularly raw for me is that in my first term in the States, back in 2000, I led while a member of the Board of Industry... I was the political lead on the creation of an economic model for the construction industry, which sought to avoid precisely the situation we are in today, where there were troughs in the public sector budget that coincided with troughs in the construction industry’s activity. \and it is regrettable to me that we do not have a mechanism in place that fast tracks projects in order to take advantage of this perfect opportunity for the taxpayer – pencils are very sharp at the moment and there are some real opportunities to be had.

2540 That leads me neatly, sir, to page 44 of the Budget which talks about the Economic Development Fund. Now, with a dwindling GDP number it becomes more important than ever that the resources available to us in the Economic Development Fund are utilised – utilised sensibly, admittedly, but utilised nonetheless – and I know that my colleagues and I on the Commerce & Employment Department have some further ideas around this and will no doubt be returning to the Assembly soon. But throughout this process remember that, love it or hate it, financial services remains the driver of our economy and therefore it makes complete sense for that industry to continue to be nurtured, encouraged and marketed as heavily as we can.

2545 I will then move, sir, if I may to page 57, and in particular paragraph 7.5 that talks about the Guernsey Fund. I think this is an excellent initiative, particularly the announcement that this fund will be developed to include a local innovation fund, I think that makes complete sense and it has my complete support.

2555 A number of questions have been asked around the Bond management issues and I suspect that the Treasury Minister will go into some detail. But of course if at the end of his summing up,

Members are still unclear about any issues then they can either speak to Deputy St Pier or myself – or if they would like us to put on a presentation to go into more detail then I am sure we would be very happy to do so. These are complicated issues but suffice to say that I am extremely encouraged by the quality of the people that the Treasury & Resources Department has attracted to that group – people outside of the States I hasten to add – and it has been extremely competently managed.

So I think, sir, all things taken into account the Treasury & Resources Department deserves a pat on the back for what on balance is a pragmatic Budget, and also an honest Budget; a Budget that recognises the problems and offers, in many cases, a number of solutions.

Thank you, sir.

The Deputy Bailiff: That is the end of people wishing to speak in general debate, so I turn to the Minister of the Treasury & Resources Department, Deputy St Pier, to reply to the debate.

Deputy St Pier: Thank you very much, sir.

Thank you to all Members for contributing to general debate. There is a considerable amount to reply to.

I think, if I may, I would like to start with the question of the extension of tax to large retailers and Deputy Lester Queripel's concerns in relation to that. He referred to the article on the front page of *The Guernsey Press* yesterday which referred to indications from an inside source, and that was followed up by an opinion column which referred to this as being GST by the back door.

I have to say I was hugely disappointed (**A Member:** Hear, hear.) and have expressed that publicly and it has been picked up by the media, and in fact I met yesterday with the journalist concerned because I think it was highly irresponsible. And I think it is unnecessarily alarming to members of our community who rely upon *The Press* as their principle source of information – they will be treating it as gospel that this is something that they need to be concerned about. I can reassure Deputy Lester Queripel that they do not and I hope that, as Deputy Sillars said, he will recognise this as being a positive development and that he will support Proposition 3.

I would like to explain why it is such rubbish that has been presented. Of course the most used key performance indicator for any business is EBITDA – earnings before interest, taxes, depreciation and amortization. This is a profits tax, it is below that line and businesses are not judged generally speaking on their performance as impacted by taxation. That is the first point.

The second point of course, is the large retailers are competing with local retailers and they are competing with them based on prices, they are not competing with them based on their post-net, post-tax profit margins. The third point is of course, that locally-owned retailers have been subject to tax through their distributions and their ownership structures, we would therefore have evidence of this phenomenon through higher prices that *local* retailers were having to charge, and there is no such evidence of that.

Fourthly, we would have evidence of this through the experience of the Isle of Man and I suggest there is no evidence of that either. Fifthly of course, the introduction of Zero-10 when those retailers were taken out of the scope of taxation we would of course have seen a fall in their prices, as they sought to take advantage and compete in that way. That did not happen either.

I think one other point in relation to understanding where the tax is actually borne here... as we have said if businesses are locally beneficially owned then they are already bearing a profits tax on distributions to them. The position in relation to the UK has changed a little bit over the recent years. Previously under the UK/Guernsey double tax arrangement then taxes paid here would receive a credit on the tax liability in the UK. Because of the changes in the way the UK chooses to tax foreign companies now, many foreign companies – many subsidiaries, in other words, of UK-owned groups – receive their dividends from overseas exempt of taxation, so they would not be paying tax in the UK. But that is a UK-related issue.

As Deputy Sillars has said, this is a measure which many in this Assembly and outside this Assembly in our community, have been calling for a number of years. In essence what we now

2610 have is a partial territorial system of taxation. If you are engaged in banking business here, if you have a utility business here, if you have a fiduciary business here, if you have a fund administration business, a general insurance business and custody business, or a large retail business trading here, then you pay taxation here.

2615 What else do I have to say in relation to retailers? I think one of the questions which Deputy Laurie Queripel raised on behalf of the absent Deputy Dave Jones, by proxy, was in relation to the not insignificant deficit. I think we can argue whether that is the case or not, but I think the point is really answered by Deputy Fallaize in recognition of the fact that the amount of income which the Government collects from this economy has fallen by 3% from 28% to 25% in the last 10 years or so, and that equates to £65 million.

2620 One of the other measures which is referred to in the Budget is the question of obtaining data collection, because a question which I am often asked by Deputy Brouard is 'Well if there was a full territorial system how much would it raise, and what would the impact be?' Unfortunately he keeps asking if I can tell him the answer and unfortunately, sir, no-one knows – and when I say no-one, I *mean* no-one knows. So this is one of the reasons why we need to have a process for better data collection.

2625 And I think that is a good point perhaps to bring in Deputy Harwood's point in his speech, he suggested caution was required and was seeking assurance that consultation would take place. And he is quite right, since the publication of the Budget there has been some expression of concern, and I can assure him that I will be meeting with those representatives of the industry who are concerned it could have an impact on their clients, and therefore ultimately on the level of
2630 business which is undertaken here. The point is we need to have a better understanding of the profits that are generated on this Island, and that again I can assure you from the conversations I have had with my counterparts in the Isle of Man and Jersey, this is a common challenge; and I will be seeking to engage with the industry to understand their concerns and obviously for them to understand our objective.

2635 I am sure, as we often do, through that process of dialogue are able to find a sensible route through that achieves our objectives. I think this again is a very good point to emphasise: the need to continue to have a cool, calm and patient approach to this whole area, and no knee-jerk reactions and responses. In essence, nearly four years ago now in a quiet way, not in a public sense... I very much asked Members of this Assembly to trust me on corporate tax reform. And I
2640 believe that the track record demonstrates that that trust has been rewarded, and we have delivered corporate tax reform in the way that this Assembly was hoping for. (**Several Members:** Hear, hear.)

I would like now, sir, to move to the question of the Bond and I think perhaps the best place to start on this is to ask Members to turn to page 54 of the Budget Report, and I want to walk
2645 Members through the costs of the Bond issue and explain those before addressing some of the other issues that have been raised in debate on the Bond.

At the bottom of page 54, paragraph 6.58 I will read the beginning of the second sentence:

'These costs comprise £9.3million for interest rate locks which were entered into in order to protect the coupon payable against market rises between the time the bond issuance was agreed... and the actual date of issue; £3.8million due to the actual yield payable being 3.445%...'

2650 It says 3.445% and actually in the course of preparing responses to this debate, sir, I have picked up that that is actually a typo that should be 3.435% so I apologise to Members for that error. And then it refers to the various issue costs.

Sir, the 3.25% coupon that we pay on the Bond is made up of the yield on UK Government Bonds of the same age – in other words a 30-year UK Government Stock – to which is then added a spread, so that is the difference that the market expects to pay to non-UK Government borrowers; and, of course, we are one such borrower. To that – and Deputy Trott will appreciate
2655 this – you then apply a rounding. (*Laughter and interjections*) You either round up or you round down to the nearest 1/8th. (*Interjections*) So then we also have the decision to make in between

the approval by the States of giving us authority and actual issuance, the yield of course moves daily – it is a product of the market price – so every day between the day you decide to go to the market and the day you actually close the deal your price is going up and down.

2660 And one of the decisions we have to make it do you try and hedge that? And one route to do that is through an interest rate lock and that is what we chose to do over 53% of the proposed issue of £330 million. So we locked in at certain rates and then the final cost of that is impacted by the final closing price when the deal closes.

2665 Now, the net effect of all of that is that the total costs of the Bond, and this is important to get to Deputy Brouard's question, come out at 3.625%. So although we are paying a coupon every year to those that have lent us the money of 3.25%, actually the total cost to us is 3.625%. That is what we have to recover over the next 32 years in order to ensure that we have sufficient to repay the Bond. And, of course, we have to lend on in excess of that as well, so the price that we offer to those that want to borrow from us will be in excess of 3.625%.

2670 In relation to the portion that is unallocated – and I will address the bit that has been unallocated at the moment – as Deputy Brouard says that *has* been invested. That is invested at the moment across our three strategies: short-term cash; medium-term, which is looking to get inflation plus 3½% which is, of course, about 4% a year at the moment; and our long-term strategy which is RPI plus 4, so that is about 4%. So that is our objective, that we look to attain over an extended period of time. And of course our track record for achieving those investment objectives has been very good in recent years.

2675 This year of course markets have gone up, and in the first quarter we were certainly well above that investment objective and then they have come down and then they have gone up again a bit. As we close at the moment we are about 1% up overall on the whole portfolio over the 10 months in this calendar year. So of course we do not know what the final close will be at the end of the year, but the point I was seeking to make in my opening speech is we have to see this as being a 32-year programme, so we need to make sure that we get that 3.625% on average each and every year over the next 32 years. (*Interjection*)

2680 I apologise the States' Treasurer has reminded me the coupon is 3.375% not 3.25% – for the record, I apologise.

2685 I have got slightly off-track... I am sure I will get back to it as I find the other Bond-related questions.

2690 I certainly welcomed the multiple resolutions which limit the use, and Deputy Fallaize and others were very much involved in that process. It is quite clear that the Bond proceeds can only be lent on for those uses that have an income stream that is capable of ensuring the repayment. Former Deputy Roffey has written an article in today's paper. He, like some Members of this Assembly was of course opposed from the outset in relation to the Bond, and therefore he has been consistent – and I would not expect any different of course – but again he has made some fundamental errors in his article. He says that we now have the same proportion of debt as the UK before 2007 – well, the UK have debt of 40% of GDP before 2007, so I have no idea where he gets his numbers from but it is absolutely incorrect.

2695 Deputy Conder asked about whether we have a reserve. And yes, absolutely we do, and that was in last year's Budget Report. We made clear that the Bond Management Sub-Committee would be responsible for approving release of the funds, agreeing loan terms, ensuring the Bond Reserve is properly established and managed, and overseeing outstanding loans etc. etc. So that has already been established and that will be reported in the annual accounts from here on in, which will show, effectively, the return that has been obtained on those funds which will provide the transparency that I suspect Deputy Brouard is looking for.

2700 I think it was Deputy Harwood who suggested that the Independent Fiscal Annual Review was perhaps a little naïve in relation to the issues of other entities borrowing and that the risk did not really lie with the States, because we could simply allow those businesses to be acquired by third parties and they would deal with the debt at that point. And I think that was precisely the rationale for the borrowing, because we recognised the reality was that was never going to

2710 happen. If Guernsey Electricity defaulted it was most unlikely that the States of Guernsey would
ever allow such an important strategic asset to fall into the hands of those that it could not
control.

I think, again, the double counting of the borrowing, which is something else that former
Deputy Roffey has sought to do of course, has not really recognised the fact that if those entities
were to default then we would repay their borrowings out of the borrowings that we have. So it is
2715 incorrect to double count and I think Deputy Harwood is perhaps doing that a little bit in getting
to his 16% or so.

It is absolutely the intention of the Bond Management Sub-Committee to lend these funds on
as quickly as it possibly can, it is not going to burn a hole in our pocket. We absolutely recognise
the advice of the Independent Fiscal Review of ways to take particular care, which is a point that
2720 Deputy Soulsby brought out in her speech; and I absolutely welcome the fact that she is
undertaking... the Public Accounts Committee will be closely monitoring this, this is absolutely
right that they should seek to do so.

Deputy De Lisle referred to the downgrade as reflecting pessimism in the marketplace. Again I
need to address that because that is absolutely *not* the case. The downgrade so far as we can tell,
2725 is a purely technical matter that is driven by the fact that Standard & Poor's appear to be seeking
to redefine their methodology when they look at small – what they call 'micro-sovereigns' – such
as us. In their view there are greater risks with lending to small jurisdictions than there are lending
to larger jurisdictions and that is what is driving it. It is not driven by their assessment of our
economic performance or the performance of our public finances so far as we can tell, because
2730 those have not changed significantly enough to drive the downgrade in itself.

I think the point I made yesterday is that if that downgrade is confirmed, then actually of
course if we were going to the market *now* we would be paying a higher price as a result of that...
the fact that we would be going to the market as AA rather than AA+.

2735 So in summary I absolutely remain confident that it was a good deal and it was good timing,
and it was the right decision for the States at that time – and remains the right decision. And there
are plenty of people in here who are going to keep a very close eye on it, of that I am absolutely
sure.

Deputy Dorey emphasised the point about it needing to have an income stream and he also
referred to page 55 – I will give way.

2740 **Deputy Brouard:** Thank you very much.

Just talking about the Bond, sir, can I just clarify my question if I may?

Of the £200 million that is unallocated, has it washed its face in earning enough while waiting
to be used to cover the £7 million we are due to pay out on the coupon?

2745 I appreciate it is coming from three different pots.

Thank you very much for giving way.

Deputy St Pier: On the basis that if we are about 1% up then probably not as at today, no –
for this calendar year; but that is looking at that discrete 10-month period.

2750 Sorry, Deputy Dorey draws our attention to page 55 and the explanations that were given
there: well again this has already to some extent been updated. I think the comment in relation to
the Guernsey Housing Association that actually the balance is not cost-effective, that in itself has
changed in the last week or so – or certainly since this went to print and in fact at this stage it
looks as if there may be an additional requirement from them, which was not the case even a
2755 couple of weeks ago.

In relation to Guernsey Electricity: the strategy, the basis on which we came to the States a year
ago, was predicated on what we expected to be a pretty imminent need for what was known as
GJ3, which was the second cable between here and Jersey, However, because of the preventative
repair of GJ1, the cable which is already there, the need for that has gone away and actually it has
2760 been replaced by a larger project which is GF1, Guernsey France 1, which is likely to require £80

million to £100 million. So in fact the requirement for Guernsey Electricity has probably gone up overall rather than down.

I think, I have hopefully picked up all the Bond-related questions from Members. I will give way to anybody who wishes to... otherwise I shall move on.

2765 Deputy Laurie Queripel was in essence raising the point of challenge to Deputy Trott in his absence on the way that we account for capital spending; and if Members turn to page 6 – this is a point actually which Deputy Trott would normally make himself – which is that our P&L account, if we were a company, would stop at the line that reads ‘Revenue Surplus’ and we would be showing ourselves as having a profit for the year of £28 million and that is what we are forecasting for next year.

2770 Deputy Collins has made this point, that of course the way we choose to account for capital in the absence of a full proper balance sheet is a little odd, because if we were... again when we do have full accounting standards we will capitalise all of that spending and that includes routine capital as well. Routine capital is clearly defined as spending that is over £10,000 that has a life of the asset in excess of a year, and so on. So, to some extent we are victims of the way that we choose to present our capital spending at the moment.

2775 Pay has come up as an issue from several Members. I think we do need to emphasise that pay settlements, first of all, are an issue under the current system of Government for Policy Council, not for Treasury & Resources, but pay restraint has actually been excellent and been through this term; there have not been excessive pay rises. If you look at pay as a total proportion of overall Government spending it is broadly static, it goes up and down a little bit, but it is broadly sitting where it was. It really emphasises the need, as I have said and as the Chief Minister has said in his speech, for public sector reform.

2780 We do recognise – and many Members here will know – we are desperately short of resources in some areas, and we actually need more people with different skills and we are not going to be able to release them unless we do things in a different way.

2790 I think Deputy Queripel also spoke about his concerns about indirect taxes – and again I know he was speaking on behalf of the absent Deputy Dave Jones – but we have to recognise that in any kind of sensible, sustainable, balanced tax system we have to have a role for indirect taxes. The taxes system needs to be a blend of different sources if it is to be stable and sustainable, and there is always going to be an argument about where the lines are drawn but indirect taxes definitely have a role.

2795 Deputy Harwood and many others... and this is a good opportunity to thank the many who have expressed generous words in relation to my board and I am grateful for that. He challenged the question of forecasts and whether our forecasts were perhaps overly-optimist – and I think ‘optimism bias’ was a phrase used by Deputy Soulsby as well. I think it is appropriate to draw attention to the comments of the Independent Annual Fiscal Review which said:

‘... the weakness of income growth should serve to highlight the difficulties inherent in forecasting and need for effective long-term policies to support economic growth.’

2800 Those that went to the presentation from the independent reviewers, emphasise that forecasting was in essence a mug’s game; and I think we clearly, as they have identified in their report, need to understand the reasons why, we need to have a clear understanding of why our forecast went adrift and we will seek to do that.

2805 Deputy Harwood was also cautious in ensuring that we do not have over-exposure to the local economy. Absolutely, it is a very valid point and the intention certainly is we will be very cautious. This is intended to be a very small part of our overall asset allocation and risk management is absolutely central to that, and I think the intention of the rules is to apply to the vehicles so we have no more than the percentage in Guernsey vehicles.

Deputy Fallaize and I think Deputy Dorey also, made the point that actually the States do have a record of controlling expenditure and again that has been well recognised by the Fiscal Review. He also made the very valid point that actually capital spending was really driven by lack of

2810 projects – and I know what he means, but I would say it is not really a lack of projects, it is a lack of projects being progressed, as opposed to a lack of projects. We have got plenty of projects we just need to find a way to get on with them.

Is it a ploy to delay expenditure? I am sure he was asking that tongue-in-cheek and I know he does not really think that is what we are doing. No, of course, it is not. But I agree with Deputy Fallaize, I agree with Deputy Ogier and Deputy Domaille, that we do welcome comments on the feedback on the SCIP process and we do have to learn lessons. It is not there to slow everything down. There is an internal workshop of all the officers from different departments to try and iron-out some of these issues so that we can help expedite.

2820 But as Deputy Domaille, I think, made the point this is a very important part of our expenditure control so we would not want to throw the baby out with the bathwater. And, developing the rolling programme, I think he questioned whether we ought to be moving away from a four-year cycle – and I would say, absolutely. If we do have a proper rolling programme we can forget about a four-year cycle, it absolutely should be on the basis that it becomes a production line.

2825 The distinction between the economy and the public finances was a point that Deputy Fallaize made: absolutely, and it is a point that I have emphasised several times. Deputy Fallaize also highlighted the risks on page 35 to 37 emphasising the need to grow the economy and that really does bring into focus our needs to grow the economy, to grow the tax base and because of our reliance on income tax, that then drives us to the link to working population.

2830 And that is where you get the connection between public finances and the economy, at that point, because it is through the taxation of the working population that the link is made. Income has been reduced, as Deputy Fallaize very clearly made the point, and that has constrained us and I think that... again the reliance and the balance between indirect taxes and corporate taxes and personal taxes, with the ageing demographic, is one of the key challenges.

2835 Now, Deputy Soulsby raised many points and I will attempt to deal with those. In relation to the rules, those have all been to my knowledge considered by the States, so I think they should be a matter of public record, but perhaps we can pick that up outside this Chamber, sir?

In relation to the fiscal framework and the question of rules, this has come up several times. Income is within limits, we are operating within that income limit; operating deficits is within limit, our total borrowing is within the 15% of GDP. Obviously any new borrowing is in excess of the 3% on the first year of issue of the Bond, but we are not expecting to ever repeat that so that should be satisfactory. So I think the main issue is around this no real-terms growth and I will come back to that because it is such an important one.

2845 In relation to FTP: the FTP programme has ended which is why there is a limited update in the Budget, and the Budget vehicle... we did not see it as being the vehicle in which to update and monitor the FTP. It is now departmental responsibility to deliver the ongoing benefits and the Minister for Education referred to his department's ownership of the remaining FTP targets. Any residual benefits now need to be picked up through the Public Service reform process.

2850 Voluntary Severance which Deputy Soulsby referred to. These benefits have been delivered and those posts have been removed. And on the vacancy factor, the benefits have been delivered and there is ongoing monitoring to ensure that we have got the right factor set for each department.

Forecasting, I think we have spoken about, and the SCIP process as well.

2855 The trading entities: Deputy Soulsby questioned the capacity to release capital from those trading entities and I think, as I said in my opening speech, more work does need to be done on that but a lot of work has already been done and we are confident – particularly in relation to Guernsey Post – that it should be possible to release the capital that we expect, which is why we were reasonably confident in putting that into the Budget this year.

2860 On the question of the Digital Greenhouse: I think it is worth emphasising here, sir, in paragraph 6.8 on page 45 we make it very clear... sorry, have I got the right page? Maybe I have got the wrong reference... The reference to all the information that has come from Commerce & Employment is very much... we are merely referring to... sorry, yes 6.8 on page 45:

'The following are brief updates by the Commerce and Employment Department...'

So this is really information that has come directly from Commerce & Employment rather than being from Treasury.

2865 Yes, Deputy Green questioned, or suggested, that this was not a crowd-pleasing Budget – I think was the phrase that he used. I think what I concluded after three and half years, sir, is that this job is... it is the easiest job in the world if you say 'Yes' to everybody. It really would, I suspect, be very easy, but so long as you say 'No' then eventually you make enemies of everyone. And that, in essence, is one of the challenges that Treasuries everywhere have, not just here in Guernsey. He referred to it being a U-turn on the HSSD budget – and I think perhaps Deputy Brehaut was in that camp as well – and I think what we believe has changed, or what has changed our view, has been the evidence base which has been presented as a result of the work undertaken.

2875 Lack of GST is an issue which has come up a number of times and I think I probably need to better explain myself from my opening comments, because I suspect I have not made myself sufficiently clear, for which I apologise. The point which I was seeking to make – and I will attempt to do so again now – is that the public cannot expect to have it all... in the sense of all the public services we have now, all the public services we either want, or are going to need in the future, and a low tax system, and no GST and lower fuel than exists in the UK, France and Jersey. That was really my point: expectations are unrealistic. It is quite clear that the presentation of GST in the Personal Tax, Pensions and Benefits Review was all about redistribution of income and not the raising of additional revenue; but in relation to expectation management and the public's expectation management, it is really making that point that the public cannot have everything that they would like in terms of services and have none of the downsides which exist in many other places.

2885 Deputy Green also asked – I think perhaps Deputy Conder as well – about whether GST should be revisited. This is only a personal view – it is not a board view, it is not a view of the joint boards – but my view is that the States emphatically rejected, 28/18 from memory, looking any further at GST and that for me means that it is and should be off the agenda for a considerable period of time. We do not have the resources to start reopening things that the States have firmly closed the door on. **(Two Members: Hear, hear.)** We have to get on with life without GST and as I say I express that as a personal view.

I thank Deputy Domaille for his remarks, I always enjoy his speeches because there is always, as he says, 'a however' and I have to wait to see what his howevers bring.

2895 Growth rate is falling – and again this was a point which Deputy Trott picked up – and I would advise great caution on making those kind of statements, because yes it is correct based on the information currently before us when we look at the GDP numbers it does look as if they are going down; but as I said before the Budget was published in my letter to all States' Members on the state of the economy, we do have a very long and strong track record of our GDP numbers being revised up, and that 2012 number from memory was originally -0.2% and ended up as being over 4%.

2900 So I am not sure that we do have strong evidence that the growth rate is falling. Based on the raw data we currently have it is a factually accurate statement, but I would not want us to be talking the economy down when there are plenty of other signs that things are improving. The increase in the number of economically-active in the last quarter is very positive and I would hope and expect to see that continue shortly as well.

2905 Deputy Dorey requested that there be full publication of the Aurigny accounts. It has of course, been a long standing policy of the Treasury & Resources Departments – of which he has been a member – that the full accounts should not be published. However, my board I think tends to agree with you and many other Members of this Assembly, that there does not appear to be a good reason not to publish the accounts, certainly at the Cabernet level, the holding company level, it would not be unusual for holding company accounts to be in the public domain. That is an

issue which my board discussed with the management of Aurigny at the last Annual General Meeting only a week or so ago, so I would expect there to be some movement on that fairly imminently.

2915 Deputy Dorey also raised the question of Document Duty and anti-avoidance. We in fact do have a draft piece of legislation which goes by the snappy title of Document Duty Anti-Avoidance Duty, and it is a loophole which needs to be closed. Deputy Dorey did what Deputy Dorey does so well, which is go back and provide us with the analysis and the history, and I think he is quite right to hold us to account and to criticise us and criticise T&R overall, for the failure to deliver that, because it has been in gestation for far too long. I was very much hoping it would be effective from 1st January this year, I was very much hoping it would be effective from 1st January next year – and so it does seem to go on. It has been a question of resources and getting the right people in to draft legislation, it is not an easy piece of legislation despite it is very simple to describe the sin you are trying to cure, but trying to put it in a way that does not have unintended consequences has been the biggest challenge.

2920 The draft legislation went out for consultation recently and that consultation has closed. Some comments have come back which have raised concerns about the effect on some fund structures – again that was perhaps not intended, so I was hoping that it would come before the States in a policy letter in January. Whether that is still achievable or not it is difficult to say at this minute. In terms of the estimates of how much has been lost... again a very good question. Unfortunately I am not really in a position to say, but we have recognised that there are issues about the fact that it is possible that some of these structures will be unwound and there will therefore be a loss of revenue for the Guernsey Registry if some of those companies disappear. And again quantifying that is very hard, because we do not know how people are actually going to react when they see the legislation.

2930 So I think all I can do is to – I think – thank Deputy Dorey for holding our feet to the fire on that and to apologise for the delay, but to assure him that we are as committed as he is to ensuring that that is actually taken forward as soon as is possible.

2940 Deputy Kuttelwascher used the description of the Transformation and Transition Fund as being the cavalry, I think that is a very good way to describe it because that is what helps address the question that Deputy Fallaize raised. It helped provide the reason to challenge Deputy Trott's rather gloomy analysis of the trend for Health. It is transformation which is absolutely essential and if we burn our way through £25 million of Transitional and Transformation Fund and have nothing to show for it in terms of a more streamlined, lower cost, more efficient service, then the treading water analogy that has been used by others, will have been wasted, the time will have been wasted and the opportunity will have been wasted.

2945 Deputy Brehaut raised the question of abolishing Document Duty and putting it on to TRP. That is of course an issue that was debated at length in the Personal Tax, Pensions and Benefits Review. And just to remind Members that if we were to do that it would require approximately a 300% increase in TRP in one go, as opposed to the decision which the States did make which was to increase TRP by 100% over a 10-year period, so it is in that order of magnitude of difference. So whilst I think as I said to Deputy Dorey at the time, I had great sympathy for the idea, again in terms of what is politically achievable and deliverable, I think it is simply unrealistic and we have to make the system work, albeit with improvements in relation to anti-avoidance through the Document Duty Anti-Avoidance Duty when it comes in.

2955 Deputy Hadley made some comments about in real terms Health has been cut: I think that was interesting but irrelevant (*Laughter*) in the sense that we have undertaken this extensive piece of work in the last 12 months which has produced a benchmark and has baselined the Health budget, and that is what we are now working to – not picking a number back in 2010 and applying an inflation rate to it. There is no point in us having gone through that exercise if we are simply to bin it and say, 'Well, let's just work with a previous number and apply a factor to it.'

2960 I think it is disappointing that Deputy Hadley has largely dismissed the contents of the BDO report, and I think actually the case he illustrated was if we can get more day cases in, then do not

2965 be fooled but actually all those savings are going to go to increased demand. Well yes, that is the
point that is part of the reason why we need to do it, because if we do not get more day cases in
we are still going to have that increased demand but at a more expensive model. So the point is
that we have to have the reform. I think it is clear that Deputy Hadley does not have any
commitment to reform or transformation of Health, that is simply not something that he believes
is relevant in how we manage our health system – *(Interjection)*

2970 **Deputy Hadley:** You cannot say that –

The Deputy Bailiff: Deputy Hadley you cannot start speaking – are you giving way, Deputy St
Pier?

2975 **Deputy St Pier:** No, sir. *(Laughter)*

Deputy Hadley: Point of correction, Mr Deputy Bailiff.

2980 **The Deputy Bailiff:** Point of correction, Deputy Hadley.

Deputy Hadley: He cannot possibly say that.

A Member: He just did.

2985 **Deputy Hadley:** He cannot say that I have no commitment to transformational change. The
issues that BDO have recognised, I and others have raised over many years. The issue is that we
are just being told what we know already. *(Interjections)*

2990 **The Deputy Bailiff:** Deputy St Pier to continue.

Deputy St Pier: Sir, I apologise to Deputy Hadley, I perhaps should rephrase it. I would
perhaps say it appears to *me* that he has no commitment to reform and transformation. *(Laughter)*

2995 Deputy James, I think, made a very good point in relation to advanced practitioners and citing
the fact that we are behind other jurisdictions in the development of and the use of resources.
And that again is a perfect illustration of exactly the kind of reform that we have to drive through,
and we have to drive it through really quite quickly if we are not to lose control of the budget for
Health but of the Budget of the States overall.

I thank Deputy Sillars for his contribution.

3000 Deputy Bebb, I think again made a very good point about the loophole on Duty Free, this is an
issue which has concerned my board and we have sought to see whether it can be addressed. The
question of Duty Free is subject to all sorts of international conventions. We are an unusual
jurisdiction in that we have a population where a proportion of our population is travelling much
more than most larger jurisdictions and therefore the opportunity to access Duty Free is much
3005 greater – particularly of course between here and Jersey.

I think one of the questions we have asked is, if even if we could do something in relation to
Duty Free between here and Jersey, between ourselves within the Channel Islands, that that in
itself could be helpful, and that is something I am grateful to the Home Department that they
have engaged because clearly it is principally a Border and Customs issue rather than a Treasury
3010 issue.

In relation to the breaking of the rules: yes, all I would say, sir, is I absolutely do not want to get
used to breaking the rules. I do find it uncomfortable. He makes a valid point that they are
guidelines but we should be definitely using them. It has provided very good fiscal discipline for
us for the last few years, it has provided some train tracks which have guided us in the
3015 development of budgets and has held us all to account, and so I think we would be very foolish to

3020 throw those away too quickly. I think the key point is the one that I made yesterday, which is the only reason that Treasury got remotely comfortable with coming to this Assembly and saying 'You have no alternative' – which was the phrase I think Deputy Bebb used – is because we felt there was *genuinely* no alternative. Anything else was completely politically undeliverable because realistically the only alternative would have been to cut every other budget by 4% and that did feel to us to be something that this Assembly was going to agree to.

3025 Finally, with Deputy Trott, I think the only point that I will pick up on Deputy Trott's contribution is in relation to fast-tracking projects. It is a very good point again, of course the reality is for some of these big projects, the lead time – as has been discussed elsewhere in relation to capital programme – is so long that it is actually quite difficult to fast-track those. *But*, during the course of this year, I have written to all Ministers to say is there anything that any department can do in relation to their routine capital that could be accelerated in order to assist the local economy in precisely the way that he was suggesting.

3030 So again, I think it is very much within the gift of Members of this Assembly within their own departments, to take that point back to their departments and to test that to see whether there is anything else that could be done, again given resource constraints and officer time and everything else to accelerate some routine capital in a way that would assist.

3035 That is a very lengthy conclusion to this debate, sir, for which I am grateful. I will keep standing here in case anybody wishes me to give way for anything that I have failed to answer.
Deputy Brehaut.

Deputy Brehaut: Just in clarification, I am aware when I speak I do not speak from prepared speeches and I do not always finish my sentences, I am aware of that.

3040 I tried to make the point: can the Minister confirm to me that when a budget increase for HSSD was considered, it was considered in the light of failings within midwifery, suspension of student nurses and an NMC inspection, or has the budget uplift only arrived because of the BDO report?

3045 Presumably significant failings within HSSD must have informed their decision-making when they decided to give HSSD a budget uplift?

Deputy St Pier: I think the impact of the incidents and challenges which Deputy Brehaut was referring to was certainly the subject of the debate that this Assembly had in July, which clearly is part of the spending experience for Health in 2015. But in relation to the budget-setting for 2016 and the next two years, the largest input into that has been the jointly-commissioned piece of work. But I would also suggest, sir, that in presenting their own budget, HSSD will of course be very aware of the environment in which they are operating.

I will perhaps sit down, if nobody else has...? (*Interjections*)

3055 **The Deputy Bailiff:** Because the Minister has sat down there is no further debate. (*Interjections*)

Deputy De Lisle: Well, sir, I had been standing up earlier to receive some clarification from the Minister.

3060 **The Deputy Bailiff:** The Minister did not give way during the course of his speech, so that is the end of the debate on the Budget.

3065 Members of the States there are 34 Propositions. They are printed at page 132 onwards in Billet D'État XIX, but in case you are confused as to the amendments that have been passed that are now going to be the subject of votes, there is an *aide-memoire* with them all marked up being passed around for you.

There are a number of Propositions that I am going to put distinctly from the general body of the Propositions as we go. I imagine you do not want to have 34 distinct votes.

The first one that I noted that anyone wanted to vote on separately is Proposition 3, but is there a request to take Propositions 1 and 2 separately?

3070 Has everyone now got a copy of the *aide-memoire*?

So what I am going to do Members of the States, I am going to put Propositions 1 and 2 to you first, together. Those in favour; those against.

Members voted Pour.

The Deputy Bailiff: I declare Propositions 1 and 2 duly carried. That is Proposition 1 as substituted by the amendment from Deputy St Pier and Deputy Kuttelwascher.

3075 Proposition 3. Those in favour; those against.

Members voted Pour.

The Deputy Bailiff: I declare Proposition 3 duly carried.

Now the next Proposition that I noted that anyone wanted to vote on distinctly is Proposition 6. So I am proposing to take Proposition 4, 5 and 5A, 5A having been inserted by the amendment proposed by Deputy Bebb and seconded by Deputy Brehaut, together.

3080 So, Propositions 4, 5 and 5A. Those in favour; those against.

Members voted Pour.

The Deputy Bailiff: I declare those three Propositions duly carried.

Deputy Fallaize: Sir, could we have a recorded vote on 6 please, sir?

3085 **The Deputy Bailiff:** We will have a recorded vote at the request of Deputy Fallaize on Proposition 6.

Greffier, please.

There was a recorded vote.

The Deputy Bailiff: Well, Members of the States, it is apparent that Proposition 6 as amended by the amendment that was placed by Deputies Gollop and De Lisle has been lost.

3090 I understand there now has to be a consequential amendment to Proposition 28. Is that right Deputy St Pier?

Deputy St Pier: Yes, sir, there will have to be a consequential amendment to that Proposition.

3095 **The Deputy Bailiff:** Mr Procureur.

The Procureur: May I suggest that those be handed round, but we vote on it when we get to Proposition 28?

3100 **The Deputy Bailiff:** Yes, I was not proposing to take it until then, but I just wanted to check that that was going to happen. If that amendment can now be circulated?

3105 **Deputy Fallaize:** Sir, how can we have an amendment laid when debate has already been closed and we are voting on the Propositions? That has never been permitted despite several Members making several attempts to do it.

The Procureur: Because it is completely essential to do it as a purely technical consequential amendment.

3110 **Deputy Dorey:** Sir, surely the debate has to be reopened then, we cannot just accept vote on it without understanding what it is about?

3115 **The Deputy Bailiff:** You will get a vote on it, it will be proposed, seconded and if anyone wants to speak on it, Deputy Dorey, they can. But the Proposition 28 was amended by the amendment that was approved to principally amend Proposition 6. Because of the changes of the dates that are now in Proposition 28, Proposition 28 as it currently stands is potentially meaningless because it has got the wrong dates in... well, it is not meaningless but it is going to be confusing.

3120 So to that extent, subject to when we get there, I will potentially permit the amendment to be moved.

Now, in the meantime I am going to continue with the Propositions.

Is there any request to take any of the other Propositions before we get to Proposition 28 separately? So that is Proposition 7 through to 27.

3125 **Deputy Dorey:** Sir, I would like a recorded vote on Proposition 8.

The Deputy Bailiff: Okay, thank you Deputy Dorey.
Proposition 7 first, then. Those in favour; those against.

Members voted Pour.

The Deputy Bailiff: I declare the Proposition duly carried.

Amendment 6:

Not carried – Pour 6, Contre 38, Ne vote pas 0, Absent 2

POUR

Deputy St Pier
Deputy Spruce
Deputy Adam
Deputy Perrot
Deputy Kuttelwascher
Deputy Langlois

CONTRE

Deputy Le Clerc
Deputy Gollop
Deputy Sherbourne
Deputy Conder
Deputy Bebb
Deputy Lester Queripel
Deputy Gillson
Deputy Le Pelley
Deputy Ogier
Deputy Trott
Deputy Fallaize
Deputy Laurie Queripel
Deputy Lowe
Deputy Le Lièvre
Deputy Collins
Deputy Duquemin
Deputy Green
Deputy Dorey
Deputy Paint
Deputy Le Tocq
Deputy James
Deputy Brouard
Deputy Wilkie
Deputy De Lisle
Deputy Burford
Deputy Inglis
Deputy Soulsby

NE VOTE PAS

None

ABSENT

Deputy Stewart
Deputy David Jones

Deputy Sillars
Deputy Luxon
Deputy O'Hara
Deputy Quin
Deputy Hadley
Alderney Rep. Jean
Alderney Rep. McKinley
Deputy Harwood
Deputy Brehaut
Deputy Domaille
Deputy Robert Jones

3130 **The Deputy Bailiff:** Before we go to a recorded vote on Proposition 8, let me tell you the voting on Proposition 6. There voted in favour 6, there voted against 38, that is why I declared that Proposition lost.

A recorded vote on Proposition 8 please.

3135 **The Senior Deputy Greffier:** Madam Le Clerc.

Deputy Le Clerc: I am still trying to find Proposition 8 on here. *(Interjections)*

3140 **The Deputy Bailiff:** If it helps it is also on pages 134 and 135, but it was subject to the amendment that was proposed by Deputy Langlois and seconded by Deputy Le Tocq to extend it from five to 10 years, and therefore the consequential change in paragraph 2 of the Sixth schedule.

We will start the voting again.

3145 **The Senior Deputy Greffier:** Yes, sir.

There was a recorded vote.

The Deputy Bailiff: Members of the States, that looked to me as though it was carried. We will wait for the voting record, but I think we can move on.

Propositions 9 to 27 inclusive?

3150 **Deputy Gollop:** If possible, 11 and 13 to be separately called for.

The Deputy Bailiff: So we will go 9 and 10 first then. Those in favour; those against.

Members voted Pour.

The Deputy Bailiff: I declare Propositions 9 and 10 duly carried.

Proposition 11. Those in favour; those against.

3155

Members voted Pour.

The Deputy Bailiff: I will declare Proposition 11 duly carried.

Proposition 12. Those in favour; those against.

Members voted Pour.

The Deputy Bailiff: I declare that carried unanimously.

Proposition 13. Those in favour; those against.

Members voted Pour.

3160

The Deputy Bailiff: I will declare Proposition 13 duly carried.

So can we go 14 to 27, or are there any other requests in the meantime? *(Interjection)*

Proposition 16?

Propositions 14 and 15 together. Those in favour; those against.

Members voted Pour.

3165

The Deputy Bailiff: I declare that duly carried.

Proposition 16 is to be taken separately. Those in favour; those against.

Members voted Pour.

The Deputy Bailiff: I will declare Proposition 16 duly carried – minor dissension.

Propositions 17 to 27. Those in favour; those against.

Members voted Pour.

The Deputy Bailiff: I declare Propositions 17 to 27 duly carried.

Proposition 8:

Carried – Pour 34, Contre 10, Ne vote pas 0, Absent 2

POUR

Deputy Le Clerc
Deputy Gollop
Deputy Sherbourne
Deputy Conder
Deputy Lester Queripel
Deputy St Pier
Deputy Gillson
Deputy Le Pelley
Deputy Laurie Queripel
Deputy Le Lièvre
Deputy Spruce
Deputy Collins
Deputy Duquemin
Deputy Paint
Deputy Le Tocq
Deputy James
Deputy Adam
Deputy Perrot
Deputy Brouard
Deputy Wilkie
Deputy Inglis
Deputy Soulsby
Deputy Sillars
Deputy Luxon
Deputy O'Hara
Deputy Quin
Deputy Hadley
Alderney Rep. Jean
Alderney Rep. McKinley
Deputy Harwood
Deputy Kuttelwascher
Deputy Domaille
Deputy Langlois
Deputy Robert Jones

CONTRE

Deputy Bebb
Deputy Ogier
Deputy Trott
Deputy Fallaize
Deputy Lowe
Deputy Green
Deputy Dorey
Deputy De Lisle
Deputy Burford
Deputy Brehaut

NE VOTE PAS

None

ABSENT

Deputy Stewart
Deputy David Jones

3170 **The Deputy Bailiff:** Now the voting on Proposition 8 was, there voted in favour 34 and against 10. That Proposition was duly carried.
Does everyone have in front of them what I am going to describe as a technical amendment?
Does everyone now have a copy of amendment numbered 15?
Deputy St Pier.

Amendment 15:

1. In paragraph 1(i), (ii) and (iii) of the First Schedule to Proposition 28, to delete "for married persons who were married or entered into a civil partnership prior to 1 January 2016" and substitute "for persons who are married".

2. in the second schedule to Proposition 28, to delete:

a) sub-paragraph (1)(a)(iii) of paragraph 1;

b) all of the words thereafter in sub-paragraph (1)(a)

c) "who were born before 1 January 2021" wherever appearing in paragraph 6;

d) "(regardless of whether or not the couple subsequently marry [in 2016])" wherever it appears in paragraph 6;

e) the sentence beginning "As a transitional measure" in the proviso to paragraph 6(2).

3175 **Deputy St Pier:** Sir, yes, as I say it is my understanding, principally on the advice of HM Procureur, that as a consequence of the decision not to accept Proposition 6 then there are some consequential amendments required to Proposition 28 as laid out. But I suspect the Procureur may be best placed in the Assembly, sir, to answer any Members' explanations as to the rationale behind the requirements.

3180 **The Deputy Bailiff:** Deputy Kuttelwascher, do you formally second that amendment?

Deputy Kuttelwascher: I do, sir.

3185 **The Deputy Bailiff:** Thank you very much.
Is there any debate on it?
Deputy Bebb.

3190 **Deputy Bebb:** Thank you, Monsieur Le Député Bailli.
Just very briefly, could I please have an explanation as to what would happen if we were to reject Proposition 28 rather than pass this amendment? And would that have any consequences?
Thank you.

The Deputy Bailiff: Mr Procureur.

3195 **The Procureur:** I will answer that.
If Members of the States were to reject Proposition 28 there would be no allowances for individuals, single persons, married persons, dependent child allowance, invalid... nobody would get any allowances. *(Interjections)*

3200 **The Deputy Bailiff:** Is there any further debate?
Deputy Gillson.

3205 **Deputy Gillson:** Sorry, sir, just a question.
It is late and maybe I am being obtuse, but when I look at the second schedule I cannot see a paragraph 1(a)(iii) – there is 1(a)(ii). *(Interjections)*

The Deputy Bailiff: Deputy St Pier, I doubt that there is anything you need to reply to.

Deputy Ogier.

3210 **Deputy Ogier:** Just to say I am struggling to make sense of putting what is on this amendment into the Propositions in the time available.

Is this to give rise to the fact that there will be no independent taxation? This is to repeal any independent taxation that may have been embedded into these Propositions?

Thank you.

3215

The Deputy Bailiff: Mr Procureur.

The Procureur: What it does, is it removes those parts of the schedules to the Proposition granting the tax allowances.

3220 It removes those parts which were necessitated by the proposals in Proposition 6, i.e. the ending of the married women's allowance; the ending – albeit on a deferred basis, because of Deputy Gollop's amendment – of the Charge of Child Allowance; and the extension of the Married Women's Allowance to same sex partnerships. Now that rather separate issue may, I imagine, be that Treasury & Resources might want to bring that back to the States; but, technically, since the
3225 States have rejected all those proposals the references to them have got to come out of the Allowances Schedule.

The Deputy Bailiff: Deputy St Pier.

3230 **Deputy St Pier:** Sir, yes my understanding is this simply returns us to the *status quo ante* before any of our proposals.

So this, in essence, would have been the schedule that we would have had this time last year, if we had not put any proposals to the Assembly at all, sir.

3235 **The Deputy Bailiff:** Well, Members of the States, on the basis that this is a technical amendment needed as a result of the rejection of Proposition 6 with your earlier vote, I invite you to vote on the amendment proposed by Deputy St Pier, seconded by Deputy Kuttelwascher, to make changes to Proposition 28. Those in favour; those against.

Members voted Pour.

3240 **The Deputy Bailiff:** I will declare the amendment duly carried, and we will move to the vote now on Proposition 28 as re-amended.

We do not have a version of that, unless you want to look back at the original printed text. Is that right Mr Procureur?

The Procureur: It is in here, but without those small technical changes.

3245

The Deputy Bailiff: Oh I see, so the document that Members have has the version as now amended?

The Procureur: No, it does not, no.

3250

The Deputy Bailiff: That is what I was saying.

So the text if anyone want to look at for what they are voting on is what is printed in the Billet, is it?

3255 **The Procureur:** Yes, and on this piece of paper.
No, no, no, I am wrong. The text of what we are now voting on is as we have just amended it – it is not actually printed anywhere, is it?

3260 **The Deputy Bailiff:** That is not the version that is in the Billet?

The Procureur: No, no.

The Deputy Bailiff: Okay, fine.

3265 Well, Members, I hope you know what you are voting on. *(Laughter)*

Deputy St Pier: Sir, just to clarify, we will be voting on Proposition 28 without... excluding these points, as amended.

3270 **The Deputy Bailiff:** It is Proposition 28 as re-amended, effectively, because it had been amended once already. Is that right Mr Procureur?

The Procureur: Sorry, sir?

3275 **The Deputy Bailiff:** Proposition 28, as I understood it, had been amended anyway by the amendment that was approved, proposed by Deputy Gollop, seconded by Deputy De Lisle. That was the first...

The Procureur: Yes, it was, but then it is further amended by this.

3280 **The Deputy Bailiff:** Yes. But has that done more than remove the amendments that were made to it by that earlier amendment?

The Procureur: Yes, yes, most certainly. It has removed what T&R were proposing about the three matters which I mentioned MPA, Charge of Children and same sex relationships.

3285 **The Deputy Bailiff:** Yes, that is fine.
So we do not have a text of that?

The Procureur. We do not; no, sir.

3290 **The Deputy Bailiff:** That is fine.
Deputy Conder?

3295 **Deputy Conder:** Sir, I might be in a minority of one, but I am reluctant to vote on something I do not understand. I do not understand this.

Would it be appropriate, to be guided by you, sir, to have a five-minute adjournment then we could perhaps have somebody explain to us what we are voting for?

3300 **The Procureur:** I suppose, if it pleases Members, what we can do in very little more than five minutes is incorporate this actual amendment in the way that we have done for the rest of the Propositions. Would that be helpful?

3305 **The Deputy Bailiff:** I think it would be helpful, Mr Procureur, if that could be arranged.
Would it suit Members to at least vote on the other Propositions in the meantime? **(Several Members: Yes.)**

We will defer, Members of the States, a vote on Proposition 28 as most recently amended until you have got the text of it in front of you, so that you can see what it is.

Moving on to Propositions 29 onwards: are there any requests for any of those Propositions to be subject to a separate vote?

3310 I am going to put to you Propositions 29, 30, and 31 as printed in the original Billet to which has been added Propositions 32 and 33. Proposition 32 was inserted by the amendment proposed by Deputy St Pier, seconded by Deputy Hadley; and Proposition 33 is taken from the part of the amendment that was successful proposed by Deputy Collins, seconded by Deputy Fallaize.

Those in favour; those against.

Members voted Pour.

3315 **The Deputy Bailiff:** I declare Propositions 29 to 33 duly carried.
Mr Procureur, are we going to adjourn briefly, then?

The Procureur: I thought that was the request, and I will do my best to do it in five minutes.

3320 **The Deputy Bailiff:** Five minutes then.

*The Assembly adjourned at 4.57 p.m.
and resumed its sitting at 5.28 p.m.*

Annual Budget of the States for 2016 – Propositions carried as amended

The Deputy Bailiff: Members of the States, I hope you now have in front of you a document which is Proposition 28, although it says 1 at the top of it. But this is Proposition 28 as most recently amended.

3325 Have you had a chance to read sufficiently so that you are ready to vote on it? I do not see anyone dissenting; so those in favour; those against.

Members vote Pour.

The Deputy Bailiff: I declare that carried without dissent. *(Laughter)*

Members of the States, please. It is half past five. The special Budget meeting convened in accordance with Rule 3A has come to an end, so we will close it with the grace; but before we do that I see Deputy Lowe rising.

3330

Deputy Lowe: Thank you, sir.

As the Budget has taken quite a long time – and rightly so, it is an important debate – and as we have still got quite a bit to debate tomorrow, could I propose that we come in at 9 o'clock tomorrow, please, sir?

3335

The Deputy Bailiff: Members of the States there is a motion being moved that we might vary the sitting hours tomorrow, rather than adjourning to 9.30 a.m. in the morning we convene at 9 o'clock tomorrow for Billet XVIII.

I simply put it to you without any further debate. Those in favour; those against.

Some Members vote Pour, some Members voted Contre.

3340

The Deputy Bailiff: Now, I think I am minded to say that that was lost. (**Several Members:** Yes!)

So 9.30 a.m. in the morning, Members of the States, when we get a clean start on Billet d'État XVIII.

The Assembly adjourned at 5.32 p.m.