

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE POLICY & RESOURCE PLAN - PHASE ONE

The States are asked to decide:-

Whether, after consideration of the Policy Letter of the Policy & Resources Committee entitled "The Policy & Resource Plan - Phase One", dated 10th October 2016, they are of the opinion:-

1. To approve the updated Fiscal Policy Framework, as set out in Appendix 2 to that Policy Letter.
2. To commit to achieving and maintaining a balanced budget in the short-term and surplus in the medium-term.
3. To approve phase one of the Policy & Resource Plan, as set out in Appendix 1 to that Policy Letter.
4. To direct the Principal Committees and the Policy & Resources Committee to prepare policy plans in accordance with guidelines to be issued by the Policy & Resources Committee, to be submitted to the Policy & Resources Committee for consideration no later than 31st March 2017.

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

POLICY & RESOURCES COMMITTEE
THE POLICY & RESOURCE PLAN - PHASE ONE

Presiding Officer
Royal Court
St Peter Port
Guernsey

10th October 2016

Dear Sir

1 Executive Summary

- 1.1 As part of its work in 2014–2016 the States Review Committee made recommendations to change the way in which the States plan and coordinate their work in the future. The recommendations included the adoption of a States’ Policy & Resource Plan (‘the Plan’) to replace the States Strategic Plan. This Plan would be a vehicle for guiding the planning and coordination of the work of the States. The States approved the recommendations of the States Review Committee in July 2015 (Billet d’État XII).
- 1.2 The States Review Committee was clear that this Plan should be straightforward, clear, concise, flexible and un-bureaucratic. It should focus on significant policy matters and lay down a framework of overall policy assumptions in order to assist Principal Committees in the setting of their policies and priorities.
- 1.3 The development of the Plan, which is led by the Policy & Resources Committee, is split into two phases as outlined in the States Review Committee’s report.
- **Phase one** sets out the vision for the island in 20 years’ time and what we need to focus on over the next five years to move us towards achieving the vision.
 - **Phase two** will focus on the work that Principal Committees need to do over the next five years to achieve the objectives agreed during phase one.
- 1.4 This policy letter deals with the first phase in this process which the Policy & Resources Committee has led to develop the Plan attached as Appendix 1. Phase one provides the basis for phase two of the Plan.

- 1.5 This phase has been developed based on input from States members through a number of structured workshops held in June and July 2016, to which all States members were invited, the majority of whom attended.
- 1.6 The Policy & Resources Committee has also engaged with business and community groups to gain feedback and seek to develop and reinforce working relationships. This Plan is for the whole of our Island community. Consequently we will need to work closely with business and community groups to achieve the objectives contained within the Plan, and will also expect to see such groups delivering against it.

2 Benefits of a Policy & Resource Plan

- 2.1 The benefits of developing and implementing a Plan include:
- The opportunity to consider and debate where Guernsey is and agree where it should be in the long-term.
 - Facilitating the States to prioritise the work they will do in the short and medium-term, ensuring the right resources are in the right place at the right time. This is particularly important, given that the States of Guernsey, as an organisation, has limited resources in terms of both money and people.
 - Providing a strategic direction, not just for the States, but for the whole community. It is hoped that this Plan will enable the community to come together and seek to achieve a common goal.
 - Enabling progress against priorities to be measured, thereby providing continuity and clarity over election periods.

3 Sustainable public finances

- 3.1 Sustainable public finances are critical to both Guernsey's economic success and the States' ability to provide public services in the long-term. Without robust fiscal rules the ability to achieve the vision and the Plan will be undermined. With this in mind, it is necessary at this stage to reaffirm what the States' fiscal policy should be.
- 3.2 The current Fiscal Policy Framework ("the framework") was approved by the States in 2009 (Billet d'État XI) and has remained largely unamended since then. The framework is principally a set of parameters that guides how much money the States can collect from the public; sets out the size and duration of any deficit; and states the maximum amount of borrowing permitted.
- 3.3 Overall, the States have been successful in restraining operational expenditure growth over the last two terms of government and have increased the amount of money set aside for investment in infrastructure. Despite this, the overall deficit has now run for eight consecutive years. This is in breach of the framework which requires a deficit to be addressed within five years. This year would have been the ninth year in deficit but,

as a result of measures taken during the year, it is expected to balance. The overall deficit reported in the 2015 accounts was equivalent to 1% of Gross Domestic Product (GDP). While relative to other jurisdictions the deficit is small, its continued existence is in breach of the framework and therefore must be addressed. It has become increasingly apparent that there is a structural element to the deficit and tackling this issue must be a high priority.

- 3.4 There are a number of challenges that need to be addressed in considering how best to amend the Fiscal Policy framework and also to ensure that the Plan can be delivered within the adjusted parameters of the framework. For example, one of the consequences of the ongoing deficit has been a downward pressure on capital spending, which has fallen consistently short of the 3% of GDP target in the framework. While this has been necessary to limit the size of the deficit, ongoing under-investment in capital infrastructure represents a significant risk which cannot be ignored.
- 3.5 A further challenge lies in the make-up of the population. People are living longer and, as a result, demand for health and social care services is predicted to increase, placing pressure on our financial, physical and human resources. At the same time the working-age population – which staffs these services and provides the majority of the tax revenues that pay for them – is becoming smaller, with every indication that it will continue to shrink in the long-term. This means that our dependency ratio, which is an indication of how many people each member of the working population is supporting, is rising. While recognising the valuable and significant contribution made by the older generation to the community, their economic contribution generally falls once they are past pensionable age. This combination of pressures has significant implications for our long-term fiscal stability.
- 3.6 Overcoming these challenges will require prudent management of our financial, human and physical resources. It will be necessary to rethink the way the States provide and pay for public services to ensure that we can deliver the services that the public needs in an efficient and cost-effective way, whilst having regard to the parameters set out in the framework.
- 3.7 The first objective must be to balance the budget. Beyond this, it is important to strive for surpluses in order to restore the reserves depleted in supporting the deficit over the last eight years, thereby enhancing our ability to be resilient in the face of future economic changes.
- 3.8 To achieve this the Policy & Resources Committee recommends that the States commit to operating within the parameters of an updated Fiscal Policy framework (Appendix 2) over this political term, which will require us to:

- Adhere to the fiscal rules contained within the updated Fiscal Policy framework
- Present a credible fiscal strategy as part of phase two of the Plan in June 2017
- Achieve and maintain a balanced budget in the short-term and surplus in the medium-term
- Continue expenditure restraint and ensure no real terms' growth in expenditure while the budget remains in deficit
- Provide leadership of the transformation agenda and support Public Service Reform in order to manage both short and long-term spending pressures
- Ensure that the States' commercial and semi-commercial entities and other States' assets are maximised, making an appropriate return to the States
- Prioritise capital investment aligned with the Plan

3.9 The updated framework will provide greater clarity and transparency. It is largely unchanged, with these exceptions:

- The limitation on the size of the deficit is redefined to refer to the overall deficit (as opposed to the operating deficit).
- The parameter outlining the appropriate size of the general revenue budget has been formally superseded by the new rule agreed in April 2015 (Billet d'État IV). This rule defines the limits on the whole of the public sector, including both the taxes we collect through the general revenue budget and the contributions made to the social security system.
- The short-term fiscal restriction of no real terms' growth in spending, applied during the current period of deficit, has been formalised to apply the same restriction to expenditure growth during any future deficit.

4 Public Service Reform

- 4.1 As mentioned in the previous section, the States will need to rethink the way they deliver public services in order to meet the current and future challenges faced by our community. Significant work has already commenced in the form of the Public Service Reform agenda and the transformation programmes within it.
- 4.2 The States acknowledged the importance of this work in delivering the necessary changes in September 2015, when they considered a policy letter on Public Service Reform (Billet d'État XVI) and endorsed the accompanying document, "A Framework for Public Service Reform". This ten-year plan sets out the vision for the future of public services in Guernsey. This vision will be achieved by transforming the organisation, management, and delivery of services to our customers.
- 4.3 The successful implementation of transformation will bring a return on investment known as the "reform dividend", where cost savings can be used to fund the deficit, cope with forecast demand in services like health and social care, or be invested in

new or improved services. The States have an important role in supporting and enabling the successful implementation of Public Service Reform.

- 4.4 The Policy & Resources Committee want to re-emphasise the need to prioritise the delivery of reform, together with expenditure restraint and economic growth from the beginning of this term. The successful delivery of reform will unlock resources to fund other priorities identified as part of the Policy & Resource Plan: it is therefore essential that the priorities of the Plan are taken forward in a co-ordinated way with the Public Service Reform programme.

5 Monitoring

- 5.1 The Plan will give us direction and will help States' Committees, the community, third sector, business, etc. to be able to coordinate their efforts. The real value in this coordinated approach will be ensuring that we prioritise and put resources in the right place at the right time. Further detail on how the prioritisation will work is provided in section 8. This will also help us to achieve the outcomes identified for each of the themes. To ensure that we are working towards achieving these outcomes and having a positive impact it will be important to regularly monitor how we are performing against them. This will allow us to report our progress on an annual basis and consider which areas may need extra attention and/or resources.
- 5.2 Work has already commenced, led by the Data and Analysis Team, to establish measures for the high level outcomes identified within phase one of the Plan, and they will be broadly based on the internationally applied Organisation for Economic Cooperation and Development (OECD) Better Life Index¹ and other indices especially around economic growth. The intention is to develop our own set of indicators based on those used by the OECD. The next stage will be confirmation of high level indicators and the definition of key performances measures (KPIs) and how these will be measured. Committee Policy Plans will need to include exactly how they intend to monitor progress against the achievement of outcomes for each of their proposals. It is only by doing this that we will be able to evidence our success.

6 Phase two of the Policy & Resource Plan

- 6.1 Following approval of phase one of the Policy & Resource Plan, the next stage will be for the Principal Committees to set out the work streams that they intend to pursue over the next five years to achieve the objectives set out in phase one of the Plan.
- 6.2 The objectives set out in phase one of the Plan are broad and will require the Principal Committees to think about how they work collaboratively in order to achieve them. This can be with other Committees as well as business and community groups. The

¹ www.oecdbetterlifeindex.org

Policy & Resources Committee will also need to be sighted on the development of Committee Policy Plans, in order to discharge its role in terms of co-ordinating this activity.

- 6.3 The Committee Policy Plans will be submitted to the Policy & Resources Committee for collation and prioritisation. The Policy & Resources Committee will issue guidance to Principal Committees in respect of elements that need to be included in the Committee plans to ensure a degree of commonality across them all to assist with this process. The Policy & Resources Committee will submit a single Plan, with supporting Committee Policy Plans, for debate in June 2017.
- 6.4 It is important to stress that the need for a new Plan does not mean that we stop everything that has already commenced. During the last term of government, the States agreed a number of strategies – Disability and Inclusion, Supported Living and Ageing Well and Children and Young People’s Plan, Mental Health and Wellbeing for example - and there is no intention to stop working towards delivering the outcomes identified in these strategies. However it may be necessary to reprioritise some of the work packages that comprise the strategies, or to deliver them differently.

7 Prioritisation

- 7.1 Inevitably, it will not be possible to deliver everything put forward by the Principal Committees. There is only so much time, money and people to deliver the services government is obliged to provide.
- 7.2 During phase two it will be necessary to consider which proposals to take forward and which will have to wait or, perhaps, not be taken forward at all. As touched on above, it will be the Policy & Resources Committee’s responsibility to work with Committees to prioritise the proposals submitted in their Policy Plans.
- 7.3 This process can be complex and difficult. It often involves dealing with uncertainty and ambiguity. To assist the process the Policy & Resources Committee has developed a transparent framework to help determine organisational priorities. However, this will not be a “tick-box exercise”. While a reasonably standardised approach is of value, judgment will also have to be exercised.
- 7.4 The prioritisation process will be split into two stages. First the Principal Committees will need to prioritise the work streams set out in their own Committee Policy Plans. This will allow them to indicate the relative importance of work streams within the context of their mandate.
- 7.5 A principal benefit of the Policy & Resource Plan will be ensuring that resources are directed wherever they will deliver the greatest benefits to achieve the desired

outcomes. To make sure this happens the second stage will require the Policy & Resources Committee to collate the Committee Policy Plans and prioritise the work streams across the organisation as single plan.

7.6 The following criteria will be applied across both stages of the prioritisation to ensure consistency:

- *Strategic fit* – i.e. to what extent do the proposals fit with the States of Guernsey's strategic direction and supporting objectives? This will effectively be a pass/fail criterion and the likelihood of any proposals that do not fit well into the bigger picture emerging as a priority area is very low.
- *Impact* – i.e. the anticipated benefits (financial and/or non-financial) for the community that will be seen as a result of the proposals being implemented.
- *Risks* – i.e. what is the likelihood of a successful outcome? Even if a proposal would bring about substantial benefits, it may not be appropriate to prioritise it if there is a significant risk of being unable to deliver.
- *Resources* – i.e. the resource implications of undertaking the work in question. This includes an assessment of both funding and people and should factor in any savings that will come about as a result of the proposal.

7.7 Prior to the start of this process it will be necessary to agree the weighting for each of the criteria outlined above and ensure this is communicated clearly to the Principal Committees who will be applying it.

7.8 There is a significant amount of work to do to ensure that we are ready to present phase two of the Policy & Resource Plan to the States in June 2017. In view of the time constraints, the Policy & Resources Committee will need to work very closely with Committees during the development of their Policy Plans, as it will be quicker and easier to assess proposals that are already familiar. It is likely that, during this initial period at least, a pragmatic approach will have to be taken to strike the right balance between ensuring robust governance of the process and maintaining momentum on the proposals.

7.9 The Policy & Resources Committee recognises that many Principal Committees already have plans in place and it does not intend that they should have to be substantially rewritten, unless they are found to be considerably out of step with the criteria listed above. However, the prioritisation process outlined above will be extremely difficult unless there is a degree of **commonality between the plans**.

8 Interim arrangements

- 8.1 Some legislation makes explicit reference to the States' Strategic Plan, or parts thereof, as a factor to be taken into account in decision-making. For the avoidance of doubt, until a new plan is approved, the existing States' Strategic Plan (2013-2017) will remain the point of reference for such purposes.

9 Propositions

- 9.1 In accordance with Rule 4(4) of The Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the propositions accompanying this policy letter are supported unanimously by the Policy & Resources Committee.

Yours faithfully

G A St Pier
President

L S Trott
Vice-President

A H Brouard
J P Le Tocq
T J Stephens

FUTURE GUERNSEY

Policy & Resource Plan Phase One



States of
Guernsey

For debate at the States' meeting on 15 November 2016

Welcome to Future Guernsey - great today, better tomorrow

Future Guernsey is a vision for our island which will enable government, business and the community to plan with confidence for all our long term futures. Guernsey is a great place in which many islanders and businesses currently thrive, but it can be better. Future Guernsey sets out that in 20 years' time, as a community we plan to be one of the healthiest and happiest places in the world, where everyone has an equal opportunity to achieve their potential. Future Guernsey also seeks to ensure we have a safe and inclusive community that nurtures its unique heritage and environment, underpinned by a diverse and successful economy. It is unashamedly ambitious.

Future Guernsey is a 'programme for government' expressing in clear and unambiguous language what the States will be doing. This will then drive the States' Principal Committees' development of their own priorities and plans for the period 2017-2021. These will be collated as the 'Policy & Resource Plan' for debate by the States Assembly in June 2017. This will then enable the States to allocate limited public resources most effectively.



The programme for government is complemented by Service Guernsey - the improvement in the quality and value of our public services through reform - and through Smart Guernsey - the use of technology to enable our economy and public sector transformation.

The programme for government is based around four key themes: our economy; our quality of life; our community; and our place in the world. We will need to deliver against these themes if we are to deliver our vision of making Guernsey 'better tomorrow.' For example, our economy must be strong, sustainable and growing, supporting sustainable public finances; our quality of life must ensure a healthy community which remains a safe, secure and attractive place to live; our community must see improvements in inclusion and equality and lifelong learning; and our place in the world will require us to be a centre of excellence and innovation with a mature international identity.

We hope that government, business and the community will work effectively together to deliver a common vision: Guernsey – great today, better tomorrow.

Deputy Gavin St. Pier

President, Policy & Resources Committee

10 October 2016



Introduction

This document outlines the first phase in the development of a Policy & Resource Plan ('the Plan'). This phase is known as 'Future Guernsey'. It sets out where the island should be in 20 years' time and how together we will make that happen. Future Guernsey will provide the basis for the second phase that will be developed in the coming months and signed off by the States in June 2017. It is a plan for our community, not just a plan for the States of Guernsey.

Why do we need a Policy & Resource Plan?

The Plan will give us direction and a set of priorities. It will help government, the community, the third sector and business to be able to better plan, prioritise and co-ordinate their efforts in the medium and long term. This will make sure that resources are put in the right place at the right time to ensure maximum benefit.

What is the scope of the Plan?

The Plan primarily covers Guernsey. However it also includes Alderney in areas where the States have financial and administrative responsibility for public services, such as taxation, the airfield, immigration, police, social services, health and education ('transferred services').

The government of Sark is administered by the Chief Pleas, which is responsible for administering the functions of government in a similar way to the States. Sark is not within the scope of the Plan.

How will the Plan be funded?

The States need to decide where resources will have the most effective impact on the future of islanders. The Plan will help to prioritise work clearly and openly within existing budgets. It is important to emphasise that the Plan will not necessarily involve new work, but will support coordination and prioritisation of existing work which supports the long-term vision for Guernsey.

How is the Plan developed?

Creating the Plan is a two-phase process:

Phase one – Future Guernsey

This sets out our vision for the island in 20 years' time and what we need to focus on over the next five years to move us towards achieving the vision. This will be debated by the States on 15 November 2016.

Once the States has approved this we will then move onto phase two of the Plan.

Phase two

This will focus on the work that Principal Committees need to do over the next term of government. Phase two of the Plan will go to the States in June 2017.

What is the role of the community and businesses?

This is a plan for the whole community. The States can't deliver this plan alone. We will need the community to work with us to make it happen. We will need to work in partnership with businesses and community groups to deliver not just joint initiatives, but where appropriate, support external delivery of initiatives to achieve the objectives of the Plan. It is critical that we take collective responsibility for making this vision a reality.

Great Today, Better Tomorrow

A 20 Year Vision

We will be among the happiest and healthiest places in the world, where everyone has equal opportunity to achieve their potential. We will be a safe and inclusive community, which nurtures its unique heritage and environment and is underpinned by a diverse and successful economy.

To help move us towards achievement of the vision, four themes have been identified and all work in support of the vision will fall into one or more of these areas.

OUR QUALITY OF LIFE



Safe and secure
place to live



Healthy
community

OUR COMMUNITY



Inclusive
and equal



Lifelong
learning

OUR PLACE IN THE WORLD



Centre of excellence
and innovation



Mature international
identity

OUR ECONOMY



Strong, sustainable
and growing



Sustainable
public finances



Strong, sustainable and growing economy

Our economy is successful and productive, and while it specialises in a number of broad areas such as financial services, digital services and hospitality and tourism, there is already some diversification within those areas. We believe this is the result of being innovative and flexible, taking advantage of opportunities that have arisen. We want our economy to continue to be strong, to be sustainable and to continue growing. Successful businesses are an important part of our economy, supporting our quality of life and community. Government's focus should be on ensuring we have the right conditions for businesses to set up, grow and operate successfully. Given the resources available, we need to prioritise high-value and low-footprint industries. We need to create conditions that encourage and foster enterprise, and ensure that we have sufficient workers with the necessary skills to support the economy now and in the future. We also need to make sure that those who want to work can work, and to help them maximise their working lives.

To achieve this we will:

- **Ensure conditions that encourage and foster enterprise and remove barriers to business, keeping regulation appropriate and proportionate**
- **Ensure the provision of reliable, sustainable and affordable sea and air links**
- **Focus on maintaining an appropriately-sized working population**
- **Look to remove barriers that are discouraging or preventing some people from pursuing or remaining in paid employment and provide additional support to those who need it to find and sustain employment**
- **Promote Guernsey as an attractive place to work and live in order to encourage the retention of our current workforce, the return of those who have chosen to gain life experience in other jurisdictions, and to attract those who may bring valuable skills to the island**

Sustainable public finances

Sustainable finances are critical to both our economic success and our ability to provide public services in the long-term. We have been successful in restraining operational expenditure growth over the last two political terms. However we have now run a deficit for nine consecutive years (including 2016).

As a priority we want to balance the budget during this political term which will require the prudent management of our financial resources, our people and our physical infrastructure. We will need to rethink the way we provide and pay for public services to ensure that we can deliver the services that the public needs.

To achieve this we will:

- **Adhere to the fiscal rules contained within the Fiscal Policy Framework**
- **Present a credible fiscal strategy as part of phase two of the Plan in June 2017**
- **Achieve and maintain a balanced budget in the short-term and surplus in the medium term**
- **Continue expenditure restraint and ensure no real terms' growth in expenditure while the budget remains in deficit**
- **Provide leadership of the transformation agenda and support the Public Service Reform agenda in order to manage both short and long term spending pressures**
- **Ensure that the States' commercial and semi-commercial entities and other States' assets are maximised, making an appropriate return to the States**
- **Prioritise capital investment aligned with the Plan**



Healthy community

We have a high life expectancy of 82 years and most islanders report good health. Cancer, heart, lung and liver disease are the biggest causes of preventable death – driven by common risk factors including tobacco, alcohol, and sedentary lifestyles. Half the population are overweight or obese, and that percentage is steadily increasing. Only one third of islanders report good mental wellbeing, and there is a clear connection between unemployment and poor mental health.

Healthcare provision is also stretched by the needs of an ageing population. The ratio of working to retired people is dropping, and there are growing numbers of people living past the age of 85, often with multiple and complex health conditions, including various forms of dementia.

We want to ensure the continued good health of our community, by transforming the health and social care system to meet their changing needs. We recognise how much difference early intervention can make in improving outcomes. We want a health and social care system that meets 21st Century expectations within the resources available. We will seek to deliver community-based services which reflect people's needs and encourage independence and personal responsibility. We want a community that promotes health and social wellbeing for all, through physical activity, healthy lifestyles, and engagement from the business, voluntary and community sectors.

To achieve this we will:

- **Continue to deliver the Public Service Reform agenda in order to transform the way that we deliver health and social care, fostering partnership with the third and private sectors to harness their expertise through different commissioning processes and strategic partnerships**
- **Focus on the prevention of, early intervention in and protection from negative health outcomes, supporting the ongoing transformation work being undertaken in health and social care provision**
- **Develop options that take into account individual needs and promote personal responsibility**
- **Encourage active lifestyles for the benefit of the community's health and mental wellbeing**

Safe and secure place to live

Guernsey is an attractive place to those who live here and those that visit us. It is a safe place, crime rates are low and the majority of the population are not worried about crime. Our economy is stable with low unemployment rates.

We want to ensure that our island continues to be an attractive place and that people entitled to live here, are able to do so if they wish. This will require us to protect what makes Guernsey a safe, secure and attractive place and ensure that our efforts are focused on sustainable solutions. We need to protect the natural environment around us and encourage a balance between protection and development for the benefit of our community and economy. This will require us to manage the competing demands on our limited resources. Availability and affordability of housing options is a challenge we need to address. As a mature jurisdiction we also have responsibilities as a member of the global community in relation to dealing with issues such as climate change.

In an increasingly uncertain world we need to ensure that we can be resilient in the face of unexpected events, both in Guernsey and the wider world.

To achieve this we will:

- **Be proactive in monitoring potential threats to our way of life both internally and externally and, where necessary, make provision to mitigate the effects**
- **Ensure that we are well prepared for any major incident that might pose a threat to our safety, security or way of life**
- **Improve housing options to ensure appropriate availability, quality and affordability**
- **Improve availability of supported accommodation to assist independent living**
- **Ensure we have fit-for-purpose infrastructure to enable us to deliver services appropriately**
- **Ensure the built environment is of a high quality, reflecting our local distinctiveness and meeting the needs of businesses based in Guernsey**

- **Facilitate the development of a thriving and vibrant harbour and town seafront that people will want to use, visit and invest in, by ensuring that local planning briefs are prepared for the Harbour Action Areas**
- **Provide clean, open and accessible public spaces**
- **Mitigate the adverse effects of climate change on our environment, improve our sustainability in the future and work to reduce the negative impacts of our activity on the local and global environment**
- **Consider the importance of our marine environment as well as its potential for supporting economic growth**

OUR COMMUNITY



Inclusive and equal community

Diversity and equality are important and the previous States made significant progress in this area, developing and approving strategies and plans that, when implemented, will see improvements in inclusion and equality in our island. While most people in Guernsey have a good standard of living this is not universal. There are some individuals who, for a variety of reasons, are not able to enjoy a standard of living or level of participation in society that would be deemed acceptable against independent measures of wellbeing.

We want our community to come together as a single unit: integrated and supportive of each other. A community where people look out for one another but also understand the importance of personal responsibility. Inclusion and equality of opportunity should exist from birth into adult life in areas such as education, the workplace and the community. Guernsey should be a place where no-one gets left behind. We want to continue the work implementing the strategies and plans approved by the previous States such as: Disability and Inclusion; Supported Living and Ageing Well; Children and Young People's Plan; and Mental Health and Wellbeing.

In addition we want to understand better the extent of relative poverty and income inequality in Guernsey.

To achieve this we will:

- **Prioritise, resource and implement the strategies and plans related to inclusion and equality approved by the previous States**
- **Foster integration within our community**
- **Focus on community-based provision of social care services**
- **Provide support to informal carers**
- **Implement the improvements required to monitor, understand and reduce poverty and income inequality in Guernsey**
- **Promote community participation, and consider where and when it may be more effective for government to enable the community to act or support the community's needs rather than act itself**
- **Encourage personal responsibility among individuals and families in planning for the future, including retirement**
- **Promote and support access to sport and the arts**

Lifelong learning

The learning environment provided by the public and private sectors in Guernsey is excellent. However, continuous improvement is essential.

We want everyone in our community, recognising their diversity, to have the opportunity to develop the knowledge, understanding and skills to be adaptable and resilient and to pursue happy, healthy and fulfilling lives, contributing to the success of our economy. We want people to have a lifelong enjoyment of learning, not just for the benefit of their work lives but also for their health and wellbeing. We need to ensure our community and economy have the capability to meet the needs of the present but also of a complex and challenging future.

To achieve this we will:

- **Ensure everyone in our community has the fullest opportunity to develop the knowledge and skills needed to pursue happy, healthy and fulfilling lives meeting the needs of our economy today and in the**

future

- **Provide and encourage opportunities for continuous personal development to all in our community**
- **Improve digital and financial literacy across our community, for young**

OUR PLACE IN THE WORLD



Centre of excellence and innovation

We believe our success lies in our ability to move quickly, be flexible and take advantage of opportunities. We want to maintain this ability and promote our reputation as a centre of excellence and innovation.

To maintain this ability in a rapidly evolving world of increased digitisation, connectivity and unprecedented advances in the availability and use of technology, we will need to have world-class digital connectivity. High-speed, low-cost digital connectivity is critical to a knowledge-based economy, local businesses, delivery of government services, social inclusion and maintaining modern lifestyles.

To achieve this we will:

- **Invest in digital infrastructure to improve reliability and reduce costs**
- **Encourage the growth of digital and information businesses through the Future Guernsey Economic Fund**
- **Ensure the provision of reliable, sustainable and affordable air and sea links**
- **Ensure conditions that encourage enterprise**
- **Remove barriers to business, keeping regulation appropriate, proportionate and at a minimum**
- **Define the level of risk with which Guernsey is comfortable**

Mature international identity

Guernsey already has a respected international identity with a strong history. We engage effectively with other jurisdictions on areas of direct interest through respected organisations such as the Organisation for Economic Cooperation and Development (OECD), the British-Irish Council, and the Commonwealth Parliamentary Association, and through the Channel Islands Brussels Office. We negotiate on our own tax agreements. We are committed to meeting international standards in respect of social and environmental issues. We actively promote awareness of our unique heritage and culture through internationally recognised local events.

We want to continue to celebrate the differences that make us unique. We want to ensure that the value of our art and culture is recognised because this is what shapes our identity and differentiates us on the world stage. We want to maintain and enhance our international identity. We would like to see greater autonomy and more freedom to negotiate our own agreements. We want to ensure that we have a clear, well-understood and respected constitutional position. We are a mature jurisdiction with the responsibilities associated with that. We need to seek extension of international standards to Guernsey, where appropriate and proportionate for our size.

To achieve this we will:

- **Ensure our interests are taken into account in the UK / EU exit agreement and seek new opportunities where possible**
- **Ensure Guernsey continues to meet existing and emerging international standards in relation to market access**
- **Progress work on signing up to appropriate and proportionate social, environmental and justice standards**
- **Seek greater autonomy from the UK in respect of the legislative process and international agreements**
- **Protect and promote our unique identity and rich heritage, including through our culture and arts**
- **Increase access to and participation in arts and culture for all in our community**

What is the Link to Public Service Reform?

Public Service Reform was initiated by the States' Chief Executive in 2015 as a means of addressing our growing and competing priorities for delivery of public services within a climate of financial restraint. Reduced tax revenues are forecast in the future, coupled with a predicted increase in demand from the community for public services such as health and social care. We cannot afford to stay the same; we need to change to meet these future challenges.

The successful implementation of the Public Service Reform agenda, and the transformation programmes within it, will bring a return on investment known as the "reform dividend", where cost savings can be used to cope with forecast increases in demand for services like health and social care, be invested in new or improved services or used to rebuild our reserves. The States Assembly has an important role in supporting and enabling the successful implementation of Public Service Reform.

The successful delivery of reform will unlock resources to fund other priorities identified as part of this Plan: it is therefore essential that the priorities of the Plan are taken forward in a co-ordinated way with the Public Service Reform programme.

What's Next?

This document is the first phase of the Policy & Resource Plan. It will be debated by the States on 15 November 2016.

Once it has been approved the phase one of the Plan will set out the guiding principles that will help the States' Principal Committees develop their own Committee Policy Plans. These plans will set out the work the Principal Committees intend to undertake over the next five years in order to achieve the objectives set out in the phase one of the Plan.

Inevitably, we will not be able to deliver everything we would like to. We only have so much time, money and people to deliver the services we need to as government. It will be the Policy & Resource Committee's responsibility to work with the Principal Committees to prioritise the proposals submitted in their policy plans. As part of this work we will be engaging with the community in early 2017.

The Committee Policy Plans will not be considered in isolation from one another, as it is important to ensure that the resources are directed wherever they will deliver the greatest benefits.

The Policy & Resources Committee will return to the States in June 2017 with the phase two of the Plan based on the collated proposals from the Principal Committees. It will be that document that forms the final Policy & Resource Plan.

For more information go to gov.gg/policyandresourceplan

Appendix Two

Fiscal Policy Framework update 2016



States of
Guernsey

For debate at the States
meeting on 15 November 2016

Glossary for Terms

Capital investment

The purchase or development of capital assets, e.g. buildings and infrastructure

Fiscal Policy

Government decisions governing tax rates and public spending

Medium-term

Between 5 and 15 years

Public sector

The governance, services and infrastructure provided by the government

Routine capital expenditure

The purchase of small capital goods such as police cars and IT infrastructure

Short-term

Up to five years

Zero-10 tax regime

Guernsey's corporate tax regime

1. Executive summary

- 1.1. This appendix provides an update to the Fiscal Policy framework ('the framework') which guides all of the States' fiscal policy. It is intended to underline the credibility of fiscal policy and provide reassurance to taxpayers about the sustainability of future spending plans.
- 1.2. This update does not significantly change the spirit or practical application of the framework. The willingness and ability of the States to maintain consistent and stable fiscal objectives across multiple political terms, even when compliance with the rules of the framework is challenging, is an important measure of our firm commitment to long-term financial stability.
- 1.3. There are some recommended changes to the framework which clarify its application and which formally capture the extension made in 2015 in the Personal Tax, Pensions and Benefits Review (Billet d'État IV). Specifically this update:
 - Formally includes the extension of the framework to set a limit on aggregate public revenue;
 - Drops the superseded parameter on taxation within general revenue only;
 - Extends the definition of the general revenue deficit used from the operating deficit to the overall deficit, formally capturing the allocation of money to the capital reserve within the fiscal rules; and
 - Clarifies the definition of capital expenditure as requested in the capital prioritisation report in 2013 (Billet d'État XIX).

2. Background

- 2.1. The framework was introduced in 2009 (Billet d'État XI) and is based on the assumption that the following principles underpin good fiscal policy:
 - stability is at the heart of sustainable economic prosperity;
 - fiscal policy needs to be focused on the medium-term (five to 15 years); and

- economic and fiscal policy should be stable, transparent and predictable.

2.2. The framework set parameters on the States' fiscal policy. Broadly speaking these:

- Committed the States to a fiscal objective of long-term permanent balance i.e. that in the long term we should not spend more than we collect;
- Set a limitation on the level and durations of deficits within general revenue;
- Defined the size of the public sector (as applied to general revenue);
- Committed the States to sustained investment in infrastructure; and
- Defined the purpose of government borrowing and limited its extent.

2.3. The framework was extended in 2015 to capture the social security system and other revenue in the limits on the size of the public sector.

2.4. To provide greater transparency and oversight of the application of the fiscal rules, the States' performance against the framework parameters has been assessed on an annual basis in the Annual Independent Fiscal Policy Review, which is undertaken by independent reviewers.

3. Long term permanent balance

Fiscal rules: Guernsey's fiscal policy should operate on a principle of long-term permanent balance.

3.1. This requires that all government expenditure (capital and revenue) should be in balance with income in the long-term. We should not spend more than we receive. However, difficult economic conditions or a need to make substantial investments in infrastructure might make it necessary for us to run a temporary deficit in the short term.

3.2. The application of the permanent balance rule implies that if we use our reserves to support a temporary deficit we should restore these reserves with a period of budget surplus.

4. Clear limitations on acceptable temporary deficits

Fiscal rules: Annual overall deficits on general revenue may not exceed 3% of GDP

Identified deficits will be addressed within five years of their appearance

Measures to counter identified structural deficits will be agreed within two years of their identification.

During any period of deficit, expenditure on public services must be limited so as not to grow in real terms at the aggregate level.

- 4.1. While larger economies can (and often do) run deficits for long periods, Guernsey, as a micro-jurisdiction dependent on international trade, is less able to run a deficit for an extended period without risking our long-term fiscal stability and credibility which is why time limits are set on running deficits.
- 4.2. Tackling any deficits will generally require a range of measures to limit expenditure and raise revenues. However, in this update the short-term fiscal restriction imposed in recent years is formalised to restrict the growth of expenditure on public services while a deficit persists.
- 4.3. In this update, the restriction on the size and duration of any deficit is placed on the overall size of the deficit (as opposed to the operating deficit), in order to tighten the fiscal parameters and provide greater clarity regarding the application of the framework. For clarity:
 - Revenue income – routine expenditure = revenue surplus / (deficit)
 - Revenue surplus – routine capital expenditure = operating surplus / (deficit)
 - Operating surplus / (deficit) – transfers to reserves = overall surplus / (deficit)
- 4.4. As previously stated, the permanent balance rule implies that any period of deficit should be balanced by a period of surplus to repay the reserves depleted in running a short-term deficit. This is important for our fiscal stability. The exceptional circumstances of the transition to the zero-10 tax regime in 2008 and the almost simultaneous global financial crisis were much less difficult for the community than they might have been. Without reserves

to enable us to smooth the transition, we may have needed to make more rapid and dramatic cuts in services or increases in taxes to bring the budget back into balance. If we are to be as well placed to meet any future crisis, we will need to restore the balance of the reserves.

5. A clearly defined public sector and commitment to limiting public sector growth

Fiscal rules: The aggregate amount of States' revenue, including all forms of taxation from within general revenue, social security contributions and the operating income of Committees should not exceed 28% of Gross Domestic Product ('GDP').

- 5.1. In the original framework the parameter establishing the size of the public sector was set with reference to general revenue taxation only. However, to ensure that the framework is comprehensive, the States added an additional parameter in 2015 which captures contributions to social security and income from operational activities. The new, more comprehensive parameter is included in this update in formal recognition of the prior decision. This supersedes the original parameter, relating to general revenue income.
- 5.2. This parameter allows revenue to be increased up to the pre-zero-10 norm if necessary. The limit, which sits approximately 2.5% of GDP above current aggregate income, is not a target or intended to encourage profligate spending. It has been set acknowledging the current financial constraints and the cost pressures on health and social care services in the medium to long-term as a result of demographic change, but not sufficiently high that these challenges can be met without restraining expenditure.

6. Sustainable investment in public infrastructure.

Fiscal Rules: Actual capital expenditure averaging 3% of GDP per annum in the medium-term.

- 6.1. Capital investment in public infrastructure is necessary to facilitate economic growth and under investment now poses a risk to both our economy and finances in the medium-term.

- 6.2.** The 3% of GDP level set in the framework was set with reference to European Union (EU) averages and is consistent with medium-term projection of levels of investment required to replace, maintain and develop Guernsey's infrastructure to meet the needs of the community.
- 6.3.** Capital expenditure is by its nature quite volatile, increasing and decreasing as large scale projects are commenced and completed. It is therefore impractical to expect that actual capital spend will equal 3% of GDP in any given year. The overall fiscal position must also be considered. The States have not met this criteria in recent years, in part because the persistence of the deficit has limited the amount of money available to dedicate to capital investment.
- 6.4.** While it may be necessary to spend less than 3% of GDP in any given year, this does not remove the economic and fiscal risk of not making sufficient investment in the medium-term. In order to better reflect this the criteria is applied as a medium-term average.
- 6.5.** It should be noted that both the limitation on the size of the overall deficit and the restriction on the amount of public sector debt which can be incurred in any term are linked to the assumption that the States should be investing in infrastructure at this level.
- 6.6.** In the capital prioritisation report of 2013 (Billet d'État XIX) the Treasury and Resources Department requested clarification on whether this should include activities of the Corporate Housing Programme and the States' incorporated and unincorporated trading entities. Capital expenditure will be defined as encompassing:
- Routine capital expenditure from within general revenue
 - Expenditure on capital projects from the capital reserve and other reserves held within general revenue or the social security funds, including, but not limited to, the Corporate Housing Programme Fund and the Guernsey Insurance Fund.
- 6.7.** It should not encompass capital spending made by the States' incorporated and unincorporated trading entities, given that these should operate like commercial entities.

7. Limited and clearly defined government borrowing

Fiscal Rules: Gross debt can only be accumulated to fund capital investment with an identified revenue stream

The level of gross borrowing by the States may not exceed 15% of Guernsey's gross domestic product

The maximum additional borrowing sanctioned in any one States' term may not exceed the level of capital expenditure (3% per annum) over that time period.

- 7.1.** Placing clearly defined limits on how much public sector debt the States are allowed to accrue is one of the core functions of the framework. The limitations are designed to restrict the amount of liability the States can impose, in total or in any one term, on future taxpayers and ensure that by limiting the access to debt, its uses are properly scrutinised and prioritised.
- 7.2.** The framework's limit on borrowing is significantly lower than those imposed by the EU and the UK reflecting the smaller, more vulnerable nature of Guernsey's economy. The framework also restricts borrowing to the funding of capital expenditure with the additional restriction that projects funded by borrowing should generate a revenue stream to facilitate the repayment of that debt.
- 7.3.** The resolution to issue a bond in 2014 was made with the intention of lending the money on to States owned entities trading accounts and funds "subject to each recipient repaying such borrowing in full from a secure income stream and without direct recourse to general revenue". Each recipient is required to demonstrate how they will repay the borrowed money from a secure income stream in order that repayment of the debt should not become a liability on general revenue in the future.

8. Conclusion

- 8.1.** The framework serves an important role in establishing a clear set

of parameters in which the States should operate. It also provides a commitment to stability and transparency to reassure the public and the business community that Guernsey will retain a prudent, conservative fiscal policy.

8.2. The framework commits government to the following fiscal rules:

- Guernsey's fiscal policy should operate on a principle of long-term permanent balance
- Annual overall deficits on general revenue may not exceed 3% of GDP
- Identified deficits will be addressed within five years of their appearance
- Measures to counter identified structural deficits will be agreed within two years of their identification
- During any period of deficit, expenditure on public services must be limited so as not to grow in real terms at the aggregate level
- The aggregate amount of States' revenue, including all forms of taxation from within general revenue, social security contributions and the operating income of Committees should not exceed 28% of GDP
- Actual capital expenditure averaging 3% of GDP per annum in the medium-term
- Gross debt can only be accumulated to fund capital investment with an identified revenue stream
- The level of gross borrowing by the States may not exceed 15% of Guernsey GDP
- The maximum additional borrowing sanctioned in any one States' term may not exceed the level of capital expenditure (3% per annum) over that time period

8.3. The above rules are an important part of Guernsey's fiscal management and the States are asked to accept the amended framework as detailed in this appendix.

