



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Wednesday, 6th September 2017

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Present:

Sir Richard J. Collas, Kt, Bailiff and Presiding Officer

Law Officers

R. M. Titterington, Q.C. (H.M. Comptroller)

People's Deputies

St Peter Port South

Deputies P. T. R. Ferbrache, J. Kuttelwascher, D. A. Tindall,
B. L. Brehaut, R. H. Tooley

St Peter Port North

Deputies J. A. B. Gollop, C. N. K. Parkinson, L. C. Queripel, M. K. Le Clerc,
M. P. Leadbeater, J. I. Mooney

St Sampson

Deputies L. S. Trott, P. R. Le Pelley, J. S. Merrett, G. A. St Pier,
T. J. Stephens, C. P. Meerveld

The Vale

Deputies M. J. Fallaize, N. R. Inder, M. M. Lowe, L. B. Queripel,
J. C. S. F. Smithies, S. T. Hansmann Rouxel

The Castel

Deputies R. Graham L.V.O, M. B. E, C. J. Green, B. J. E. Paint,
M. H. Dorey, J. P. Le Tocq

The West

Deputies A. H. Brouard, A. C. Dudley-Owen, E. A. Yerby,
D. de G. de Lisle, S. L. Langlois

The South-East

Deputies H. J. R. Soulsby, H. L. de Sausmarez, P. J. Roffey,
R. G. Prow, V. S. Oliver

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. Deputy Greffier)

Absent at the Evocation

Miss M. M. E. Pullum, Q.C. (H.M. Procureur),

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States of Deliberation

The States met at 10.47 a.m.

[THE BAILIFF *in the Chair*]

PRAYERS

The Deputy Greffier

EVOCAATION

CONVOCAATION

The Deputy Greffier: Billet d'État XV and XVII of 2017. To the Members of the States of the Island of Guernsey, I hereby give notice pursuant to Rule 2(4) of the Rules of Procedure that at the meeting of the States of Deliberation to be held at the Royal Court House on Wednesday, 6th September 2017, immediately after the meeting of the States of Election which had been
5 convened for 9.30 a.m., the Items listed in theses Billets will be submitted for debate.

The Bailiff: Members of the States, as you know, it is not a heavy agenda for this morning. I thought it might be helpful to you to know that if we get to 12.30 p.m. and have not finished the business but it looks as if we are not far from finishing, I will be putting to you a proposition that
10 we continue to sit to conclude the business before lunch to save people having to return after lunch. That may help those who I know are trying to arrange some other meetings to take place later in the day.

We will start with four Statements. The first is to be from the President of the Policy & Resources Committee and is the first Statement to be delivered under the new Rule 10(4). I
15 remind you that that is a Rule that:

Provides for the Presidents of Committees to make statements setting out ...

– and I am quoting from the Rule –

... his or her Committee's, or in the case of the nominated Alderney Representatives, the States of Alderney's, recent activities, forthcoming work and the like at an ordinary Meeting. Such a statement shall not cover any topic which is part of another Item of business at the meeting in question.

Any statement made under the provisions of paragraph (4) shall not exceed 10 minutes in duration.

And, in respect of statements made under the provisions of that paragraph after the statement has been made:

... the Presiding Officer shall allow a period not exceeding 20 minutes (which period may be extended at the discretion of the Presiding Officer) for questions to be asked on any matter within the mandate of the Committee, or in the case of any statement made on behalf of the States of Alderney, any matter for which the States of Alderney has responsibility, except any topic which is part of another item of business at the Meeting at question;

Provided that:

the Member to whom questions are addressed may decline to answer a question, if in his or her opinion any answer might be inaccurate or misleading. Each individual question shall not exceed one minute in duration and the answer there too shall not exceed one and a half minutes in duration.

So the difference between this and the other Statements that are openly given is that supplementary questions need not be restricted to the contents of the Statement, but they can be on any matter within the mandate of, on this occasion, the Policy & Resources Committee. So that is the new Rule.

As I say, that is in play for the first time this morning and Deputy St Pier will deliver the first Statement.

STATEMENTS

General update – Statement by the President of Policy & Resources

Deputy St Pier: Sir, I am pleased to provide this first Rule 10(4) general update to the Assembly on behalf of the Policy & Resources Committee and, first, let me just confirm for the avoidance of doubt that after this Statement I will be providing a financial update Statement to the Assembly. This of course comes just over two months after the Assembly approved the Medium Term Financial Plan that the Policy & Resources Committee put before it. It comes a couple of months before the 2018 Budget Report.

The Committee is now planning the Budget in earnest and that is why the Statement that follows this one is important in providing context and information for the Assembly and our community ahead of the Budget.

After that Statement Deputy Le Tocq will be providing an update on where we are in relation to Brexit. Policy & Resources' mandate makes clear our role in leading and co-ordinating on this in terms of international relations and identity, as well as supporting the Committee for Economic Development and the Committee for Home Affairs in the areas where their mandates meet, Brexit additional resources have been agreed to be provided to the Committee for Home Affairs to assist with this work and the Committee for Economic Development has prioritised its resources to help deliver a clear vision for our post-Brexit economy in partnership with our different economic sectors.

In June, the Assembly approved phase 2 of the Policy & Resource Plan – the Assembly's Government business plan – which is led and co-ordinated, of course, by the Policy & Resources Committee under the new Machinery of Government approved by the Assembly following the States' Review Committee's recommendations. The Assembly directed that the Policy & Resources Committee prioritised more keenly and work has been ongoing with the Principal Committees to do just that. The updated and streamlined plan will come to the Assembly with the Budget Report. Aside from the Policy & Resource Plan, the Medium Term Financial Plan and Brexit, the Committee has been making positive steps in other areas of its mandate.

In terms of external relations, we have maintained our work in response to the OECD's base erosion and profit shifting (BEPS) actions, we have joined the BEPS inclusive framework, the body of the OECD, and in June I signed the multi-national instrument on behalf of Guernsey, which ensures our network of tax agreements is BEPS compliant. We also remain engaged with the EU Commission on its screening process of third countries.

In July, we submitted evidence that demonstrated Guernsey's commitment to tax transparency, fair taxation and economic substance, and we continue to engage with the code group which is leading this work on behalf of the EU Commission. To support that work and our work on Brexit and BEPS, Deputy Trott will be in Brussels in October and I will be there in November meeting

representatives of member states and working closely with our counterparts in Jersey through the Channel Islands Brussels Office.

60 In the autumn, we will be represented at both the Conservative and Labour Party Conferences in the UK and we continue to work actively with the British-Irish Council and with the British-Irish Parliamentary Association on which we are represented by Deputy Brouard. Deputy Brouard provides the Policy & Resources lead role on the Alderney Liaison Group which met most recently in July and continues to provide the basis of a wide-ranging working relationship, not least on air transport.

65 The Policy & Resources Committee's recommendations following the Aurigny review are being actively addressed by the Committee for Economic Development and the States' Trading Supervisory Board, and we look forward to receiving their formal responses in due course.

70 Deputy Stephens continues to chair the SLAWS Supervisory Group and the Children and Young People Plan Supervisory Group – both of which seek to support Principal Committees in driving forward the implementation of those strategies agreed by the previous Assembly. Both of course are complex, multi-layered and very important, and Deputy Stephens' championing of them is tireless.

75 Sir, I have scratched the surface of the work that the Committee undertakes – not least, as further detail will follow this morning, on our community's finances and on Brexit. But I would like to emphasise one important link between these pieces of work: all of them reflect the Policy & Resources Committee's role as a co-ordinating Committee in line with the recommendations of the States' Review Committee and all involve close working with one or more of the other Committees. This represents an important change in our Machinery of Government and while there remains much work to do to effectively implement all of the changes agreed by the
80 Assembly in relation to the work of the States' Review Committee, I hope that this update has demonstrated that in many respects some of this change is now embedded in a constructive way.

The Bailiff: Deputy Lester Queripel.

85 **Deputy Lester Queripel:** Sir, the President and his Committee have recently decided to rule out introducing legislation that would force developers to provide defects liability insurance when selling new-build properties. The reality is that without legislation being in place, purchasers are still in an extremely vulnerable position.

90 Therefore, can the President please explain the rationale behind the decision that his Committee recently made, please?

Thank you.

The Bailiff: Deputy St Pier.

95 **Deputy St Pier:** Sir, I think Deputy Queripel is referring to a report which is due to be appended to the Billet for the next sitting of the States, in which, he quite rightly states, the Policy & Resources Committee, following the requête, have done some work in this area and have ruled out the kind of policy that he was referring to.

100 I think I can do no better than explain the rationale than quoting from that report, where we say:

When considering the introduction of any new legislation, the Policy & Resources Committee has to ensure that such action is proportionate and appropriate for the situation.

On this occasion, based on the research carried out and advice received from industry representatives, the Committee found that such action was not fully justified and concluded that the need for the introduction of mandatory measures to provide cover for latent structural defects for a set period of time after a new property is completed was not a priority at this time.

105 In essence, what we are saying is, whilst I think we recognise it is an issue, the number of cases which we were able to identify did not justify the dedication of resources to deal with it in the long list of other priorities that we have; and that was the reason that we made the judgement we have.

110 **The Bailiff:** Before I take the next question, there has been a request to remove jackets for those who wish, so those who wish may remove jackets.

Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, sir.

115 My question to Deputy St Pier is: have the P&R Committee yet identified any *new* sources of revenue or funding?

Thank you, sir.

The Bailiff: Deputy St Pier.

120 **Deputy St Pier:** Sir, I think Deputy Kuttelwascher will have to wait for the Budget. I would not wish to give too many Budget secrets away just yet. Obviously, we are in the middle of that process and in terms of the Medium Term Financial Plan, as Deputy Kuttelwascher will recall I am sure, the plan envisages raising additional revenue of £3½ million over each of the next four years.

In relation to other revenues and sources of funding – yes, it is something that we constantly keep under review. And, as Deputy Kuttelwascher may recall from his days on the Treasury & Resources Board, issues around, for example, the Ecclesiastical Court, the seized assets fund, H.M. Receiver General's fund and so on, are something which we keep under constant review.

130 In particular, the Policy & Resources Committee is considering the governance of those funds as part of our Budget planning and thinking, because we really need to consider whether the governance is appropriate in the 21st century, so that is something that we are considering.

The Bailiff: Deputy Roffey.

135 **Deputy Roffey:** Thank you, sir.

At the risk of straying into budgetary issues, I have got a question on Income Tax. P&R have flagged up that they intend to do away with treating Guernsey women as adjuncts to their male partners – which I welcome – (**A Member:** Hear, hear.) but I would like to have clarification if that means that they will still be able to aggregate their two individual personal allowances or whether, where only part of the partnership is working, they will be reduced to one individual allowance?

The Bailiff: Deputy St Pier.

145 **Deputy St Pier:** Sir, that is quite a complex question which I do not think I can do justice to in the time available to me.

But, in essence, yes, the whole question of independent taxation is something which remains an issue which has been given consideration by the Policy & Resources Committee, particularly in the context of the contribution of tax systems work. We currently have a mismatch in the way we treat people as individuals in the Social Security system, but we treat them as a unit in the tax system – so if we are going to combine the collection systems how are we going to do that?

150 These are very much the issues that we have identified and indeed, the question which Deputy Roffey has asked absolutely forms a central part of that. We have not yet formed the policy answers on any recommendations to the States, but it is a matter that is being kept under active consideration.

155

The Bailiff: Deputy de Lisle.

160 **Deputy de Lisle:** Sir, the problem of connectivity – air and sea, that is – has become a major issue in all sectors of the economy. This requires, I think, more consideration by P&R in their deliberations. What measures are being taken for improvements in this area by P&R?

The Bailiff: Deputy St Pier.

165 **Deputy St Pier:** Sir, the Policy & Resources Committee – acting on the amendment to the Policy & Resource Plan – is actively working on terms of reference, together with the Committee for Economic Development, in relation to the amendment that dealt with the air and sea transport infrastructure. And that is something which the Policy & Resources Committee will probably consider in greater depth next week, but I do hope that imminently we will be able to begin that work, working closely with the Committee for Economic Development, and there will be further information available shortly on that issue, sir.

The Bailiff: Deputy Inder.

175 **Deputy Inder:** Sir, thank you.

Just following on a little bit from Deputy de Lisle's question: in the media this week there was an indication that the Government of Alderney would be subsidising the new airline, Air Alderney. I think from spring of next year is when it is planning to start; given the losses on the route by the States airline, Aurigny, which is something like £2.7 million, I believe it was last year, does he feel the subsidisation by the States of Alderney of a second airline is an appropriate response?

The Bailiff: Deputy St Pier.

185 **Deputy St Pier:** Sir, I cannot comment in any great depth on that. I have no more information available to me than Deputy Inder does on the question of the proposed subsidy for Air Alderney. In other words, my information source is the media as well as his.

But certainly the Alderney Economic Development Fund, which I imagine is the source of proposed funding for this, is managed under delegated authority by the States of Alderney. So if they wish to support Air Alderney from that fund, and the funds are available within that fund, then it is within their delegated authority to do so.

190 However, I think Deputy Inder raises a very valid point about the level of subsidies provided, not only to one but now potentially to two airlines, and we do need to consider these questions in the overall context of the financial relationship with Alderney.

We also need to keep in mind that the Alderney Economic Development Fund is funded from the Alderney Gambling Commission surpluses which, of course, are actually really Bailiwick revenues. In other words, it is all part of the single taxpayer pot, albeit that those surpluses have been used in recent years for funding Alderney's capital needs and for the Economic Development Fund. But the fact remains that it is Bailiwick taxpayers' money and so it is an issue that, I think, this Assembly will, I am sure, be interested in.

200 **The Bailiff:** Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

205 The Committee is meant, annually, to put a report before the States which allows the States to determine the priority order of drafting of legislation and now we are, I think, 20 months into this term, and this report has not yet been laid before the States.

Can the President tell us when it will be, please?

The Bailiff: Deputy St Pier.

210

Deputy St Pier: Sir, I am grateful to Deputy Fallaize for reminding me of the Committee's obligation in that regard.

215

I can reassure him that it is something that we have not forgotten. I am not able to give him a specific date as to when we will be able to do that. There is a meeting fairly shortly on the matter of the prioritisation of legislation, and I do hope that following that there will be further information available on that whole question, but we are very conscious.

220

We were certainly planning on ensuring that in the future it becomes part of the P&R Plan process, and that seems to be the most logical time in which to do it and, of course, in a sense we are in the interim period between having nothing and having a regular programme of updates to the P&R Plan. So it is managing that interim period which is perhaps what we are struggling with.

The Bailiff: Alderney Representative Jean.

225

Alderney Representative Jean: If I may raise a couple of points of clarification –

The Bailiff: You can raise questions. If it is in the form of a question, you may.

Alderney Representative Jean: Well, I will do it in the form of questions then, if I may.

230

The first point is: would Deputy St Pier agree with me that the gambling money is raised from licences entirely in Alderney?

235

The second point is: would he agree with me that the proposed subsidy on the seats for Air Alderney only kicks in if there are fewer than three passengers on the flight? The reason we are actually doing that is to try to encourage – would the Chairman agree with me – the different routes, route pattern, that we will have through Air Alderney, which will not be competing with Aurigny anyway? Okay.

Thank you.

The Bailiff: Deputy St Pier.

240

Deputy St Pier: Sir, I can certainly agree with Alderney Representative Jean's first question. The Alderney Gambling Commission's surpluses do certainly arise from licences in Alderney. However, the fact remains that under the 1948 Agreement they are revenues of the Bailiwick, so those two statements are not mutually exclusive.

245

In relation to the second question, I cannot personally confirm that because I do not have that information. I will take it as read, given what Alderney Representative Jean says, and I am sure other Members of the Assembly will too, sir.

The Bailiff: Yes. Deputy Tindall.

250

Deputy Tindall: Thank you, sir.

255

Would the President of Policy & Resources Committee agree with me that the finance industry needs to know their obligations in respect of the prevention of anti-money laundering and the countering of the financing of terrorism and that it is essential those responsibilities are clearly articulated, consistent and are based on appropriate and proportionate regulation. As such, it is important for the States to ensure this vital aspect in supporting the economy and enhancing the offering of this important sector of the Bailiwick's economy.

Thank you.

The Bailiff: Deputy St Pier.

260

Deputy St Pier: Yes. *(Laughter)*

The Bailiff: Deputy Gollop.

265 **Deputy Gollop:** Sir, in relation to the wider issues Deputy St Pier flagged up – pertaining to
economic development and Brexit – how far will Policy & Resources wish to engage in dialogue
with stakeholders from the business community, who appear from recent media reports to have
one or two issues with the new implications of some aspects of the population management
270 regime and law. Will Policy & Resources wish to engage with the Home Affairs Department and
Economic Development in that area at this stage?

The Bailiff: Deputy St Pier.

275 **Deputy St Pier:** Sir, again, I think perhaps, partly taking on the co-ordinating role but also
cognisant of the amendment to the Population Management Law debate, Policy & Resources are
responsible for leading the review of that Law in order to present a report back in the first quarter
of 2019.

Engagement has already begun with the Committee for Home Affairs and the Committee for
Economic Development in terms of agreeing the terms of reference and participation in that. So,
280 yes, we are of course, interested in everyone's experience, not just industry but other users as well.
There is a regular dialogue between Policy & Resources and the Committee of Home Affairs on
this issue, particularly in relation to some of the administrative glitches that have been there and
the need to provide support to the Committee for Home Affairs, which Policy & Resources have
done to assist in the short-term.

285 Equally, we are also concerned to engage with the Committee for Economic Development and
the concerns that they have and the groups that are representing to them under their mandate. I
would expect that that issue will progress further in due course and the publication of the terms
of reference and so on. So, again, I would expect that to be fairly soon.

**Financial position of the States –
Statement by the President of the Policy & Resources Committee**

290 **The Bailiff:** I see no one else rising, so we will move to the next Statement which is also to be
delivered by the President of the Policy & Resources Committee and on this occasion in respect of
the financial position.

Deputy St Pier.

295 **Deputy St Pier:** Sir, thank you for giving me the opportunity to present a second Statement –

The Bailiff: The Rules give you the opportunity to present the first one!

Deputy St Pier: Thank you, sir.

– on the States' financial position. This, sir, is the third consecutive Statement in which I am
300 able to deliver good news on the States' finances. In March, I reported that the States had
returned to overall surplus in 2016, for the first time since 2008; then, after the first quarter of this
year, I reported that there was a positive variance to the budgeted position of some £4 million.
Now, after the seven months up to the end of July, the position is looking even healthier, with a
year to date surplus of over £13 million. This is an improvement on Budget of over £11 million.

305 Our improved position is supported by trends in recently published statistics – such as modest
increases in population numbers and those economically active; increases in the numbers

employed and self-employed and advertised vacancies; and a significant increase in the number of local market property transactions. These are all indicative of a stronger economy.

310 However, as Members will have heard me say before, the key lead indicator for revenue and economic performance remains receipts from ETI and the position is encouraging. On a 'like-for-like' basis, ETI receipts in the first seven months show a 4.2% increase year-on-year. A real terms' increase of 1.4% against the latest inflation figures, which suggests that the real terms' decrease in median earnings in the first quarter might reverse. The strong returns in both the first and second quarter strengthens our confidence that this growth in employment-related Income Tax will
315 continue throughout the year. If this were the case, then we will end the year, with this income source some £5 million, or more than 2.5%, ahead of the budgeted estimate.

The revenues in other categories of Income Tax are also looking stronger overall; although there are sluggish receipts from the 'other individuals' category which is currently lagging budget. But, of course, this category is inherently volatile and consequently difficult to forecast. However,
320 this has been more than compensated by robust receipts from banks, income tax on distributions, other companies and some exceptional income arising from settlements with taxpayers.

All in all, Income Tax receipts are £7.1 million ahead of expectations at this point in the year which, based on the information currently available, is forecast to rise to £12 million by the end of the year. This represents a 4% improvement on the budgeted position and will, of course, feed
325 through into the Budget setting for 2018.

All other taxes, duties and general revenue income are collectively behind budget by £0.5 million at the end of July and are currently forecast to end the year down by £0.8 million. Having said that, to put it in context, the majority of income streams included are within 1% of their budgeted position.

330 However, Document Duty receipts are down some £1 million against the year-to-date Budget, at £7.4 million, which represents a fall of 3% on the same period in 2016. Although the number of Local Market transactions are 5% up on 2016, the duty is significantly lower due to the lower value of the properties being conveyed. Following the changes in last year's Budget to the structure of Document Duty with effect from 1st January this year, detailed analysis is being undertaken in
335 order to inform the Budget for 2018.

The Policy & Resources Committee has been seeking to ensure that the States are collecting all of the Document Duty that is properly due. To that end, the legislation recently approved my Members to address the avoidance of Document Duty through share transfer, should come into force in the next couple of months. In addition, it has become evident that the practice of allowing
340 5% of the value of a conveyancing transaction as an estimate of personalty, and therefore only collecting Document Duty on 95% of the value, is no longer appropriate in most cases, given the increase in property prices over recent years.

Therefore, ahead of the 2018 Budget, discussions are underway with the Guernsey Bar with a view to a change in practice which would generally lower this percentage, where appropriate. For
345 example, if it were lowered to 1% it would raise in excess of £500,000 additional Document Duty in future years.

One of the positive contributors to our general revenue income is better investment returns than budgeted. Continued strong investment markets, especially in equities, have resulted in solid returns so far this year for both the medium- and long-term investment portfolios, with returns
350 this year to the end of July having approximately 4% and 6.6% respectively. Subsequent to my last update, it has been decided that the two portfolios will be merged in the coming months. Given longer term focus, this would enable better management of risk and return across the entire portfolio and should lead to an overall improvement in return and simplify administration.

Given these positive returns, the proceeds of the States of Guernsey bond Issue, which are yet
355 to be on-lent, and are currently invested within the two portfolios, have registered a return of approximately £6 million in excess of the interest payable on the bond.

I look forward to the forthcoming presentation to Members – together with the President of the Committee for Employment & Social Security – on the subject of investments which will give an opportunity to detail the existing governance arrangements and future plans.

360 Turning to expenditure: an underspend in the first quarter in the order of £2.5 million has risen to £5 million. The majority of this is due to a year-to-date underspend of £3.6 million by the Committee for Health & Social Care, which is expected to increase to an underspend by the end of the year of £4.6 million. At the moment, the forecast position at year end implies that rates of expenditure will increase considerably in the last five months of the year, well above the year to date run rate. There are pressures and risks around recruitment and off-Island spend which may lead to this. However, if this is not the case, then the underspend could be larger.

365 This underspend is before adjusting for the £2 million in-year budget reduction to which the States agreed during the Policy & Resource Plan debate in June. The effect of which is to bring the forecast reported underspend down to £2.6 million. Whilst it should be remembered that the Committee for Health & Social Care have been given significant additional resources by the States – and not been subject to quite the same targets as other Committees – I would like to take this opportunity to thank the Committee for Health & Social Care and all their staff for their significant efforts in delivering so-called ‘system grip’ and consequently this year’s anticipated underspend against budget, as well as contributing to the savings challenge this year by way of a £2 million budget reduction, equivalent to 1.7% of their budget.

375 As set out in my last Statement, the Committee for Health & Social Care wishes to use some of the savings being made in other areas with pressing need – which is no doubt required as the underlying pressures on their services remain unchanged. However, as I have noted, significant additional funding was given to the Committee for Health & Social Care by the States on the basis that it was temporary.

380 It is therefore important to balance reinvestment with the need to deliver savings. But I am confident that agreement will be reached on the Budget for 2018, which will deliver the right balance between savings and reinvestment and ensure due recognition is given to the risks and pressures being faced by these services, which was so important to our community.

385 Although the majority of Committees are showing underspends in the year to date, despite the 3% savings targets, the Committee for Education, Sport & Culture has not yet been able to identify savings capable of meeting this year’s target, and is therefore overspending in the year to the end of July by just under £1 million. This overspend is expected to increase to some £2 million by the end of the year, which roughly equates to the value of the unmet savings target. I am aware that the President of that Committee will be making a Statement giving more detail on the position.

390 It is clear that there are particular challenges in delivering savings from the education element of the Budget in particular.

395 The PWC Report, published earlier in the year, identified a number of opportunities for savings through changing the way services are delivered. These opportunities were identified after extensive dialogue with – and input from – the staff in Education, Sport & Culture, and therefore there is every reason to believe that they should be deliverable. However, they will take some time to plan and deliver, resulting in an overspend in the meantime, unless it is possible to find one-off reductions to close the gap. Dialogue is therefore ongoing between our two Committees regarding the appropriate level of budget for 2018, plans for the delivery of the savings and what, if any, support might be required to ensure that those savings are achieved.

400 Another matter of significant concern which has come to my attention since the finalisation of the July numbers is that the States of Alderney have committed to expenditure in the region of £450,000 in excess of their authorised Budget. This was first brought to my attention by a letter of 22nd August from the Chairman of Alderney’s Policy & Finance Committee, and with whom I spoke over the last weekend. Up until that point, the forecasts had been in line with budget.

405 I have agreed with the Chairman of the Policy & Finance Committee that his letter should be published later today, together with Policy & Resources’ response. From that conversation too, I

410 understand that work has been undertaken this year in Alderney to ensure greater control on the
authorisation of spending there, but obviously the Policy & Resources Committee is very anxious
to properly understand how this level of over commitment could have occurred and how it can be
avoided in the future. Discussion is therefore ongoing on these issues. With regard to how any
overspend can be managed this year, Policy & Resources considered this at its meeting yesterday,
because if it is around £450,000 at the year-end it would amount to 25% of Alderney's cash limit.
415 In short, Policy & Resources do not feel that it is appropriate to use the Budget Reserve to fund
the projected overspends. We are therefore currently proposing to include within the Budget
Report recommendations that they should instead be funded from the Alderney Gambling
Commission surpluses. In simple terms, if this Assembly accepts this recommendation it will
require Alderney to reprioritise its future capital spend.

420 In the context of the overall financial relationship between the two Islands, I am sure that all
Members, including the Alderney Representatives, would agree this is unacceptable and must not
be repeated. (**Several Members:** Hear, hear.)

Sir, Members of this Assembly will recall that, in order to balance the 2017 Budget, it was
necessary to reduce the value of the appropriation to the Capital Reserve as a temporary measure.
425 This reduction was partially offset by a target for return of capital from the States Trading
Supervisory Board's trading assets of £5 million. It is now being reported that this target is likely
to be missed this year, and the latest estimate is for a return of £3 million. While this is
disappointing, it should be remembered – as was emphasised at the time of the Budget –that the
£5 million was a best estimate at that time. Given the work undertaken this year to better
430 understand the capital structures and needs of the trading businesses, I have no reason to believe
that it is anything other than a timing issue and that the shortfall can be made up in future years.

To summarise the 2017 financial position so far, the positive revenues at the end of 2016 have
continued into the first seven months of 2017, driving a forecast surplus on revenue income of
£11 million this year. This is enhanced by an overall forecast underspend against authorised
435 budgets for Committees of approximately £2 million. This would result in an overall surplus for the
year of some £13 million against a break-even Budget. If this is achieved it would allow the
appropriation to the Capital Reserve that was reduced in order to balance the Budget to be
partially reinstated. We will be in a position to bring forward any such proposals as part of the
2018 Budget Report to be published next month.

440 With regard to the Budget Report, the strong revenue income position this year is extremely
welcome and will certainly feed through into a higher baseline position for next year. However,
there also remain trends in the opposite direction – such as falling volumes of fuel consumed as
well as downside risks and unknown quantities, such as Brexit. So we will continue to be prudent
in the economic assumptions we use for budgeting purposes.

445 Members should be under no illusion that the forthcoming Budget will be of the 'vanilla' or
'boring' variety. Or that recent improvements will necessarily mean that a surplus position will
result next year. The Medium Term Financial Plan, approved by the Assembly in June to secure our
medium-term fiscal sustainability, requires reductions in the cost of public services and revenue
raising – both of which we must now deliver. In addition, the cost pressures which we will need to
450 accommodate are material. For example, the cost of implementing SWBIC's welfare reform has
increased over our former estimates – and it is currently estimated will now require additional
ongoing funding of almost £4 million each year, as against the estimate of £3.2 million included in
the Medium Term Financial Plan. We will also need to deal with significant external pressures,
such as Brexit and GDPR, which will result in increased costs to the States – some of which may be
455 one-off and some of which may be annually recurring.

So, despite the further strengthening of our economy and our public finances, which I am
delighted to be able to report today, we must steel ourselves for a challenging Budget and be
prepared to make some difficult, even unpopular, decisions in order to restore the States' finances
to a robust and sustainable position, that will support the delivery of our objectives through the
460 Policy & Resource Plan and beyond.

The Bailiff: You may now have supplementary questions to be asked within the context of the Statement.

Deputy Roffey.

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Deputy Roffey: Thank you, sir.

One swallow does not make a summer – but if the States' revenues continue to be significantly stronger than the original forecast, what alterations to the Medium Term Financial Plan would the President of P&R favour, raising less than £13 million in extra taxes, cutting less than £26 million out of States' revenue or doing neither and increasing the surplus so that we can rebuild our reserves?

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The Bailiff: Deputy St Pier.

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Deputy St Pier: Sir, or possibly a combination of all three.

Again, I do not think I am in a position to provide ... I think Deputy Roffey is in the mode of asking questions that I cannot answer properly today, sir. I do not think I can provide a definitive answer to that today.

As I indicated in the Statement, whilst the revenue side is stronger, we also have to recognise that the spending side also has shown some stresses as well. Whether it is Brexit, whether it is GDPR, whether it is the challenges in Education, whether it is the underlying pressures within Health, whether it is SWBIC, all of those things need to be factored in as well. So, unfortunately, we cannot just look at the revenue side and say okay, that is fine, and then we can do these things; we have to consider the picture as a whole.

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The Bailiff: Deputy Parkinson.

Deputy Parkinson: Yes, sir.

Could the President explain what contribution, if any, the improved investment performance has made to the surpluses that he has described?

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The Bailiff: Deputy St Pier.

Deputy St Pier: I do not have the definitive number to hand, sir.

That is certainly something which will be available but, of course, the reserves which are held, some of those do have a general revenue impact depending on where they are held, as we experienced in the 2016 accounts. Unfortunately, that is not information I have to hand, sir, but there is a general revenue impact.

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The Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, sir.

Would the President be able to inform us how much of the IT receipts have been achieved by clearing the backlog or has the backlog been cleared and the receipts coming from Income Tax are actually the more accurate figures coming through?

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The Bailiff: Deputy St Pier.

Deputy St Pier: Sir, I think the processing of tax returns, as I have indicated in previous responses, does not make a significant difference to income tax flows because the largest portion – 70% of all Income Tax – comes from ETI, which is effectively real time to all intents and

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purposes. Most of the other returns, of course, are processed on ... estimated tax is paid anyway so you are then adjusting against that.

515 So, yes, clearly the production of final assessments is important in closing off an individual taxpayer's return, but it does not have a material impact on the tax flows, and there is nothing in this year's numbers which suggests a big variance in that experience.

The Bailiff: Deputy Gollop.

520 **Deputy Gollop:** Sir, I do not want to be unpopular, as Deputy St Pier warns us, but he did give us a positive and analytical approach to the recent economic indices of population movements – but I heard the most recent one suggesting that we might be seeing a decline in the so-called economically active population, although I personally believe there are many people over 65 who are extremely active economically in many different ways. Is that a trend that we are now seeing
525 again of a demographic narrowing of our so-called working-age population?

The Bailiff: Deputy St Pier.

530 **Deputy St Pier:** Sir, I do not think there are any surprises at all in the numbers that we have seen in the population statistics. The ageing demographic which Deputy Gollop describes has been well forecast and is now being experienced. Absolutely the bulge of those who are getting to an age where they are likely to become less economically active, even if they remain economically active, is continuing, and I think the emphasis I would put is on the early part of my
535 Statement, sir – emphasis on the fact that there have been modest increases in population numbers in those economically active and so on. So it is again emphasising that the overall pressures on us, whether they are demographic, as experienced in terms of economically active and therefore payment of tax, or whether it is having an impact on health and social care, those pressures remain unabated by positive experience in the short term.

540 **The Bailiff:** Deputy Roffey.

Deputy Roffey: Deputy St Pier said that he is now expecting only a £3 million return from the trading agencies this year but that it was a timing issue and that it would be made up. Does that
545 mean that he is expecting a £7 million return in 2018; and, if so, is he not concerned about the burden that this puts on consumers and the fact that these sums do not bear any relation to their ability to pay?

The Bailiff: Deputy St Pier.

550 **Deputy St Pier:** No, it does not mean that we necessarily expect a £7 million return next year; that is a dialogue which needs to take place between the Policy & Resources Committee and the States' Trading Supervisory Board as part of the Budget planning for next year. It is one of the variables that may differ between the Medium Term Financial Plan presented in June and the Budget that you will see in October and goes back to Deputy Roffey's previous question as to why
555 there are pressures in both directions. But certainly I would repeat what has been said many times in this Assembly, that the delivery of a return from those trading assets should not require and should not be delivered by racking prices for the consumers of those services. That is not the purpose and remit of the setting of a reasonable expectation for a return from those assets.

560 **The Bailiff:** Deputy de Lisle.

Deputy de Lisle: Sir, I sometimes am concerned about the interest-factor nature of these reports that are given, the financial reports. My question relates to the fact that there are concerns

565 on the street about the alleged contraction of the economy, the drop in visitors to the Island and the fall in business confidence, and I would like to know whether any special measures are being put in in order to counter these concerns of the general public.

The Bailiff: Deputy St Pier.

570 **Deputy St Pier:** Sir, what Deputy de Lisle is hearing on the street is not what I am hearing on the street and I think it is not borne out, as I said, by the statistics and recent evidence. Clearly there will be sectors that are not having the same experience as another sector. That is inevitable in any economy, but the picture as a whole remains as it has done for a little while now, modestly improved, and clearly we very much hope that that will continue. So, clearly it does not ... yes ... I
575 have nothing else.

The Bailiff: Deputy Laurie Queripel.

Deputy Laurie Queripel: Thank you, sir.
580 Regarding the reduction in the cost of the delivery of public services, how does Deputy St Pier envisage this will be achieved without further damaging frontline services or the position of those delivering them? In other words, will the focus be in order to achieve the aim?
Thank you, sir.

585 **The Bailiff:** Deputy St Pier.

Deputy St Pier: Sir, that is what public service reform and the transformation of public services is all about, and that is how further savings will be achieved whilst protecting the services which the community requires.
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The Bailiff: Deputy Inder.

Deputy Inder: Sir, thank you.
It does arise from Deputy St Pier's saying that he did mention Brexit. I have no doubt that
595 Policy & Resources have been working extremely hard to model through what has been and is likely to be a very difficult negotiation, and we have been told by our UK contacts that the Islands are ... if they are not front and centre, they certainly are going to be well considered in whatever the UK does.

600 But, sir, what if the UK negotiations end badly? What if the result affects our ability to trade? Is P&R not putting too much faith in UK negotiators to act on our behalf? And if it all goes horribly wrong, which it could do, what is our plan B? Should we be talking directly to Europe now, and should we be considering, dare I say it, a form of independence?

605 **The Bailiff:** Deputy St Pier.

Deputy St Pier: Sir, I suspect that question probably is better directed at Deputy Le Tocq in response to his Statement, but I will attempt to give my own response – and Deputy Inder may wish to ask the question a second time to see if he has the same response.

610 No, clearly our prime engagement is with the United Kingdom as the sovereign state responsible for representing us internationally. However, within the limits of our own international identity and the international identity framework which Deputy Trott signed when he was Chief Minister, we are actively seeking to represent our own interests directly elsewhere, through the British-Irish Council, which gives us access to Ireland as a member state, through the Channel Islands Brussels Office directly to the Commission Parliament and member states there. So we are
615 absolutely not resting on our laurels and expecting everything to go ... We are not relying entirely

on the UK, in other words. It is our responsibility to do everything we can, and that is exactly what we are doing and Deputy Le Tocq will speak to that in his Statement.

The Bailiff: Deputy Fallaize.

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Deputy Fallaize: Thank you, sir.

Among the economic indicators listed by Deputy St Pier did not feature unemployment. How much emphasis does he and his Committee place on the importance, as an indicator of economic activity, of the fact that unemployment is now at its lowest level for at least six or seven years and is less than half of that which it rose to during the period of greatest economic difficulty?

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The Bailiff: Deputy St Pier.

Deputy St Pier: Sir, I thank Deputy Fallaize for making a very valid point about the downward trend in unemployment, and that has continued for some time. In terms of the reliance we place upon it particularly for planning purposes, it is not a significant indicator for us because it is so low. It is a number which has always been low in absolute terms and therefore its relative movement does not provide a useful indication to us. But I think in terms of clearly showing the timing of the economy and the fact that those that have found it difficult to find employment are now doing so, it clearly does indicate an improvement in the economy for us. To take them together with the issue about the Population Management Law and how we manage guest workers coming into our economy, clearly that is an issue as well, and taking into account also the fall in the value of the pound and Brexit-related concerns about working within the UK Crown Dependences, these are all factors which I think do have potential influence on the economy's capacity to grow, clearly, if we are constrained by the number of people available to do the work that is available.

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The Bailiff: Deputy Gollop.

Deputy Gollop: We have to know that you and your Committee always take into account Guernsey's complicated business, economic and fiscal needs when preparing the Budget for us, but how far will you, like you did last year, also consider the needs of our sister Island Alderney to ensure that any budgetary or related proposals match the peculiarities of that economy?

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The Bailiff: Deputy St Pier.

Deputy St Pier: Alderney is clearly part of the Bailiwick and needs to be considered in the Budget, both in terms of understanding the state of its economy, understanding the contribution which Alderney can make to the Bailiwick's public finances as a whole, and obviously understanding Alderney's demands on public services as well, and that certainly formed the heart of the review of the financial relationship between the Islands. But clearly the news in my Statement about a significant overspend in the States of Alderney is a significant concern that will undoubtedly impact on our thinking around the budgetary requirements for Alderney and indeed the governance arrangements around that particular budget.

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The Bailiff: Deputy Tindall.

Deputy Tindall: Thank you, sir.

Would the President confirm if the review of Document Duty he mentioned, which includes the effect of the introduction of the new rates from 1st January this year, will feed into an urgent review of Document Duty for first-time buyers?

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The Bailiff: Deputy St Pier.

670 **Deputy St Pier:** Sir, we are obviously ... I suspect Deputy Tindall's question arose from the recent KPMG report commissioned for the Committee for Employment & Social Security and the Committee for Environment & Infrastructure, which obviously Policy & Resources have read – no doubt, like Members, with interest – and we have noticed the comments in relation to first-time buyers and in particular the role of Document Duty.

675 I think the Policy & Resources Committee's view is that the policymakers in that area are probably the other Committees rather than the Policy & Resources Committee. Our focus clearly will be around the revenue impact of changes, so we absolutely await with interest the views of the other two Committees having considered that report as a whole, and we will obviously engage with them – and if they have any suggestions in relation to that particular aspect of the
680 recommendations we will obviously willingly engage in that conversation.

The Bailiff: Deputy Le Pelley.

Deputy Le Pelley: Sir, given the financial position in Alderney, is the time fast approaching
685 when we will need to reinvestigate and/or renegotiate the 1948 agreement?

The Bailiff: Deputy St Pier.

Deputy St Pier: Sir, I think that opens a significant constitutional question which probably
690 goes well beyond the question time available in this meeting, but I think it certainly requires us to consider the financial relationship and the extent of the support which is provided from Guernsey to Alderney in all its forms, including the subsidies through the States' Trading Supervisory Board to Aurigny, and that is something which undoubtedly has been placed back in the spotlight as a result of the potential overspend.

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The Bailiff: Deputy Oliver.

Deputy Oliver: Sir, can the President answer, when the property report was looked at, the Document Duty was looked at but the bond that you have to pay was not? Can you answer that?
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The Bailiff: Deputy St Pier.

Deputy St Pier: Sir, I do not think I can answer Deputy Oliver's question. That clearly was a matter for those undertaking that particular report, i.e. KPMG. I am not sure to what extent it
705 formed any part of the discussion between the Committees and KPMG, who provided the report. However, I am sure the Committees, as they consider the report, will be having regard to bond costs in the same way they would in relation to Document Duty costs – and I see the Presidents are nodding their heads on that. In reality, as I think is underpinned by the nature of the question, there is really little real difference between Document Duty and Bond Duty as far as the question
710 is concerned. It is an expense and I am sure that will be something they will consider as they consider the recommendation in relation to first-time buyers.

**Update on Brexit matters –
Statement by the Lead Member for External Affairs**

The Bailiff: We will move on to the next Statement, more than 15 minutes have elapsed, and it is also to be from the Policy & Resources Committee, and this is to be delivered by the lead Member for External Affairs, Deputy Le Tocq.

Deputy Le Tocq: Thank you, Mr Bailiff.
Sir, I welcome the opportunity to update this Assembly on the ongoing work following the UK's decision, just over one year ago, to leave the European Union.

The last update was provided by Deputy Gavin St Pier earlier this year on 8th March. Since then, we have seen an intensification of the engagement strategy that we have been undertaking with the UK government. This is both in respect of the separation issues and the future partnership between the UK and the EU. Each of these areas of work are complex, technical and will be fundamental to our positioning in the global economy.

Triggering of Article 50. On 29th March, the UK Prime Minister issued a letter to the President of the European Council to formally commence the process of leaving the EU. The UK government had sought the views of the UK Parliament before doing so. This Assembly had its own debate. We ensured that the views of the States were formally communicated in a letter from Deputy St Pier to the Prime Minister before the UK's Article 50 letter was sent. This included ensuring that the UK government were aware of the States' views on wishing to provide certainty on the rights of those EU nationals residing in Guernsey on exit day.

The UK Prime Minister's response to this letter highlighted the importance of the relationship between the UK and these Islands. This letter affirmed the UK's aspiration to 'strengthen the bonds between us as we forge a new relationship with the EU and the wider world'. Importantly for the stages that lie ahead, the Prime Minister also recognised the Island's own parliamentary processes in respect of Brexit and the UK's commitment to ensuring our interests are properly taken into account.

Following the recent UK General Election, Robin Walker MP, Minister at the Department for Exiting the EU, maintained his role in managing the UK engagement with the Crown Dependencies in respect of Brexit. We were pleased to welcome Robin Walker to Guernsey on 8th August to meet with representatives from Guernsey, Alderney and Sark. He took the opportunity to meet representatives from the finance sector and from the fishing industry, as well as to learn about our immigration and customs arrangements. The visit helped to ensure that Guernsey retains a strong and direct political link within the UK government department responsible for negotiating the UK's exit from the EU.

The election did see a change at the Ministry of Justice. We were disappointed to hear that Sir Oliver Heald MP would no longer be the Minister with responsibility for managing the relationship with the Crown Dependencies, but we are grateful for his support and we were pleased to hear that the Lord Chancellor, Rt Hon. David Lidington, had taken a personal interest in taking over this role. It is reassuring to know that a Cabinet member that knows us very well from his previous posts will have this role during the Brexit negotiations.

Sir, Members will be aware we complement this direct political engagement with the UK government by maintaining a wide network of contacts in the UK and across the political spectrum. This includes the well-established and valued relationships that we have through the British-Irish Council. This is further demonstrated by Deputy St Pier's exchange of letters with the Taoiseach in Ireland, Leo Varadkar TD, following his successful election. The exchange emphasises the importance of the BIC as a forum for our jurisdictions to come together and highlights some of the areas of mutual interest, such as our shared commitment to preserving the Common Travel Area. Whilst the UK election and uncertainty in Northern Ireland prevented the last meeting taking place, the next meeting is still scheduled to be held in Jersey during November 2017. Guernsey

will be hosting the summit in June 2018 whilst the Brexit negotiations are expected to still be in full swing.

765 We will also continue our engagement with UK parliamentarians across the political spectrum, including the All-Party Parliamentary Channel Islands Group, through contact days and attending the main UK Party Conferences. This year the premier will be representing us at the Labour Party Conference and the vice-premier will be representing us at the Conservative Party Conference. We will also engage with the relevant Parliamentary Select Committees. This includes the Justice Select Committee, which will continue to be chaired by Bob Neill Mr President, and the House of Lords EU Committee, which will continue to be chaired by Lord Boswell. Both of these reports
770 from these committees on Brexit and the Crown Dependencies, despite being made in the last UK Parliament, are still relevant and will still require a UK government response and may yet be subject to parliamentary debate in the UK.

775 Supporting this work, Guernsey Finance and its board has now joined, and is actively engaged with, City UK. This is the body representing the interests of the City of London. Our finance sector is closely aligned with the City and it is important that we not only understand its thinking and approach to Brexit but, where possible, provide input into it. This work involves Guernsey Finance but also representatives of the finance sector, of the Guernsey Financial Services Commission, and of Government, including Deputy Trott, who, in his role as Chairman of the Board of Guernsey Finance, is actively involved at a senior level with City UK on their Advisory Council, which brings
780 together representatives of the key stakeholders to advise and lobby government on issues of concern to the financial services sector. This work goes some way to ensuring that we understand the opportunities for and threats to the biggest part of our economy, but also where we can act upon them.

785 Sir, I now turn to the commencement of EU-UK negotiations. The first round of the Brexit negotiations between the UK and EU took place on 19th June and these rounds will continue to be held monthly during this first phase of negotiations.

On 6th June, we attended meetings in Brussels alongside the External Relations Minister from the Government of Jersey. During this time, we had the opportunity to meet with Sir Tim Barrow, the Permanent Representative of the United Kingdom to the European Union and a part of the
790 negotiating team. We were able to discuss with him a number of the Island's priorities in relation to Brexit as well as the importance of effective engagement in Brussels after the UK has left the EU, including through the Channel Islands Brussels Office.

795 Since the commencement of the EU negotiations the UK has begun to publish a series of position papers and future partnership papers. The UK papers make assertive references to taking the interests of the Crown Dependencies into account. The EU has also published its own position papers for the negotiations. These papers provide for the UK and EU negotiations to be placed in the public domain for scrutiny before each negotiation session. Transparency has been agreed as a guiding principle in this process by both sides.

800 This transparent approach is supplemented by an intensification of the direct engagement strategy that has been developed with the UK. This ensures that we are able to input into the development of the UK's position papers and that we understand the objective and outcomes of the rounds of the negotiations.

805 Sir, I will now turn to citizens' rights and the movement of people. In respect of these negotiations the States has expressed its wish to seek to guarantee the rights of EU nationals resident in Guernsey on exit day. This was reinforced by the States' Resolution following the debate on the second policy letter held in March.

810 In July the UK set out its proposals in relation to protecting the rights of EU citizens in the UK on exit day. Whilst this matter is subject to ongoing negotiations between the UK and the EU, the settled status of UK-resident EU nationals as part of the UK's offer is something that we want to ensure that the Crown Dependencies are included in.

We are also working closely with the UK to ensure that those Guernsey residents who are British nationals are taken into account when agreeing the UK's exit agreement, in particular if

they happen to be resident in the UK on exit day, and this, of course, includes those islanders defined as Channel Islanders in accordance with Protocol 3.

815 The UK's negotiations, however, will not change the Island's Population Management Regime, which came into force on 3rd April this year. This regime controls the right to reside in certain residential properties and to work in Guernsey. The immigration regime being discussed as part of Brexit controls the right to enter and stay in Guernsey. The States of Guernsey and the UK government share the commitment to the Common Travel Area. This has been reiterated on a number of occasions through our engagement with the UK. It is acknowledged that these arrangements long predate the UK's accession to the EU and we want to ensure that they are preserved. The Population Management Regime operates in a non-discriminatory way with regard to nationality and runs in tandem to the immigration regime. The two should not be confused. One does not create a residency or employment right that overrides the other. The two regimes should work together to effectively manage this Island's population. Again, the Population Management Regime controls should not be subject to any direct change as a result of Brexit, but we will need to have regard to the impact of Brexit as we undertake the review of the Population Management Law that the States directed should be undertaken.

830 With regard to future customs arrangements, the UK government has made it clear that its current position is that the UK will be withdrawing from the EU single market. This presents an unprecedented issue for the Bailiwick. The Islands rely on the relationship established by Protocol 3 for the free trade of goods with EU whilst maintaining the historic right of free trade with the UK. The future arrangements will depend on the terms of the exit negotiations, but one of the possible options could include the extension of the UK's membership of the World Trade Organisation to the Bailiwick. We will also need to consider the necessary infrastructure to support trans-border shipments, which may include the provision of IT.

835 The UK recently started publishing position papers and discussion papers for its future partnership, including on customs arrangements. It is worth noting that the paper sets out the UK government's commitment to engaging with the Crown Dependencies as it sets its future independent trade policy.

840 On 2nd July the UK government announced its intention to withdraw from the 1964 London Fisheries Convention. This move will take two years before it takes effect. One of the purposes of this Convention is to establish access rights for certain EU Member State vessels to commercially fish within the six to 12 nautical mile limit of UK coastal waters. This includes fisheries access rights for French vessels within the six to 12 nautical mile limit of the Bailiwick. This means that the withdrawal of this agreement in respect of the UK will impact Bailiwick waters.

845 We will be working closely with the UK, as well as engaging with Normandy fishermen, to ensure that we mitigate any unintended consequences, including by looking at the extension of our own territorial seas from three to 12 nautical miles. **(A Member: Hear, hear.)**

850 In the Queen's Speech following the UK's election, Her Majesty also announced that a series of UK Bills will be introduced in Westminster over the coming months. The first is the Repeal Bill, now known as the European Union (Withdrawal) Bill. This will repeal the 1972 European Communities Act and convert EU law into domestic UK law. Other relevant UK Brexit-related Bills that will go through the UK Parliament are on subjects such as customs, trade, immigration and fisheries.

855 A third policy letter is being prepared to develop the themes in the first two Brexit policy letters and to direct the preparation of Guernsey's version of the UK's Repeal Bill. Through this policy letter the Policy & Resources Committee will ask the States to also direct the preparation of any legislation necessary so that the States can act swiftly to mitigate the impact of the UK's exit from the EU on Guernsey. This will enable us to respond to the uncertain and changing political and legal situations that may arise during the course of the exit negotiations.

860 Sir, I can assure this Assembly that we will continue to work with the States of Alderney and the Chief Pleas of Sark to ensure that all of these Islands are fully informed and engaged. We will also

865 continue to work closely with counterparts in Jersey and the Isle of Man. The Crown Dependencies stand to gain more by sharing a unified approach during this process.

The Policy & Resources Committee's Brexit Group meets fortnightly to ensure those directly engaged are well briefed and that the work of the Committees for Home Affairs and Economic Development in response to Brexit are co-ordinated and in line with our strategy. Moving forwards, the Group will be leading on policy and draft legislation that will be required as a result of the UK's withdrawal and it will co-ordinate the cross-committee decision-making process. This will involve a huge amount of work that will have to be dealt with both effectively and flexibly, and in some cases very quickly to keep pace with the UK-EU negotiations. The Group will also ensure that any opportunities for the Bailiwick identified within the UK's future relationship with the EU are seized upon and maximised where possible.

875 The Group monitors the resources that are dedicated to Brexit. Our current assessment is that the resources allocated to date have been sufficient so far, although this is only through prioritisation against other workstreams. We are currently looking at this again in light of the clarity emerging from the UK and EU on the detail of the exit process and those future arrangements. We may need to allocate further resource in specific policy areas, such as for the Committee for Home Affairs in respect of immigration and customs matters. We will need to ensure that the Brexit work can be maintained alongside the other priorities identified in this and the Policy & Resource Plan.

880 Sir, to summarise, the matter of the UK's exit from the EU remains a priority for Guernsey. I am confident that we are continuing to ensure that we place ourselves in a strong position. However, there is no room for complacency. As the negotiations progress, our engagement will intensify and the complexity of the issues on which we will need to respond will become clearer. This may require quick decision making, collaboration and the nimble allocation of experience, expertise and resources. We will seek to provide clarity where we can be certain to reassure both individuals and businesses. However, I believe that Guernsey can face up to the uncertainty around Brexit with optimism. This is because of the opportunities, as part of the British family, presented to us by the development of the UK's independent trade policy. This includes the aspiration of a new deep partnership between the UK and the EU and the establishment of better access to global markets.

890 The Policy & Resources Committee remains committed to keeping this Assembly and the community regularly updated.

895 Thank you, sir.

The Bailiff: Are there any questions arising within the context of the Statement?

Deputy Roffey.

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Deputy Roffey: Thank you, sir.

Thanks to *The Guardian* newspaper, we know that post Brexit the UK government intends to bring in draconian restrictions on the length of time that non-qualified EU workers can remain in the UK, and as we are governed by UK immigration policy, presumably that means the length of time they can stay in Guernsey too, which will have a profound effect on some of our economic sectors, such as hospitality, horticulture and some others.

905 With this in mind, will he lobby the UK government, if they cannot be made to change their mind on this act of ludicrous self-harm, at least to make an exemption in relation to the Channel Islands, because it is supposed to be that British workers come first. Well, that is not really an impact here and it really could have a significant impact on our economy. So I would ask him to take up this issue.

The Bailiff: Deputy Le Tocq.

915 **Deputy Le Tocq:** Yes, I can assure Deputy Roffey and others ... Indeed, I have been contacted by several employers here in the Island who are concerned about those sorts of things and it is already being discussed and it is already being looked at and we would certainly want to be sure that we remain able to recruit those that we need for our economy in the future.

920 **The Bailiff:** Deputy Graham.

Deputy Graham: Thank you, sir.

The news that the Lord Chancellor has elected to engage directly with the Crown Dependencies rather than delegate it to a mere Minister of State, as has become customary in recent years, is, in my view, not without significance. I believe there is a partial reassurance to the likes of Deputy Inder who have concerns perhaps that the voice from the Channel Islands may not be heard at the very highest level. I think this is a token reassurance that it will.

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930 With that in mind, I wonder whether Deputy Le Tocq could assure me that, if it has not already been done, we lose no time in inviting the Lord Chancellor to visit here. If successful ... I am reminded, really, that the last Secretary of State to visit here was in fact Lord (Derry) Irvine I think, in 2001 – too long.

The Bailiff: Deputy Le Tocq.

935 **Deputy Le Tocq:** I totally concur with what Deputy Graham has said. I know David Lidington personally. I was able to meet with him when I was Deputy Chief Minister and Chief Minister when he was European Minister. I am very pleased that he has taken up this role and chosen to do so. As Deputy Graham said, it is a long time since we have had someone at that level who has taken that sort of interest with us. Just last week I wrote to him and certainly we are inviting him to come and visit as soon as possible. We hope that either Deputy St Pier, Deputy Trott or I will be able to see him in the next few weeks. So, yes, it is good news from our point of view.

The Bailiff: Deputy Ferbrache.

945 **Deputy Ferbrache:** Would Deputy Le Tocq agree with the point made by Deputy Roffey in question form that, bearing in mind that people who are 'here' on exit day will be protected but bearing in mind that thereafter those that want to come in will be governed by UK immigration policy, which will be particularly stupid, does he agree that we should now do a very urgent review of our own employment, our own law in relation to people coming in to the Bailiwick, rather than wait for the distant day of March 2019?

The Bailiff: Deputy Le Tocq.

955 **Deputy Le Tocq:** I certainly think there is merit in us looking at what other mechanisms we can use, bearing in mind the direction that the UK seems to be taking. I think it is incumbent upon us, to pick up a point that Deputy Inder raised before with Deputy St Pier but has not asked me, to ensure that this Bailiwick, this Assembly, has all the powers it needs to determine ... make swift decisions on the best course possible for this Island in the future. Brexit, to some degree, is both a threat to that but also an opportunity for us as well, and it is therefore important that we look at, if necessary, new mechanisms that could ensure that we have the workforce, access to markets, the right types of business that establish in Guernsey in the future as we have done in the past, if not even more so. That is our ambition and I think it is good to have ambition.

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965 We are working against a very tight timeframe and one of our difficulties is not so much resourcing in terms of finding the right people – we have got some excellent people in the External Affairs Secretariat that are working hard on all these issues, as indeed in the Committees for Home Affairs and Economic Development – but it is going to be a matter for us to really speed

up things and prioritise things, and in some cases we are going to need several people in several places all in one go in order for us to ensure that these things are ... decisions are made, opportunities are taken hold of when they occur.

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The Bailiff: Deputy Paint.

Deputy Paint: Sir, I would like Deputy Le Tocq to explain what he is doing with our nearest neighbour's plans with respect to the trading we do with them. We could find ourselves in the position that we have a huge deficit in balance of payments with our nearest neighbours with the import of electricity directly, with the import of heating materials indirectly and many others. So could he explain if we are making any movement with France itself to try and balance this imbalance and the future imbalance of payments and what can be done about it if we get let down?

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The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: I will go further than Deputy Paint: I think it is very important that during this time of Brexit negotiations and afterwards we strengthen and fortify all our links with our largest and nearest neighbour, France. We have done so in recent years, even before the Brexit vote took place, by the establishment of a national office, effectively, in France, based in Caen - the Bureau des Isles Anglo-Normandes. We are working very closely with the Normandy government, the regional government in Normandy, as well as with Ille-et-Vilaine in Brittany - we have just signed an agreement this year with them - so we have regular contact with them and discussions with them fostering good relationships in the future.

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Sir Philip Bailhache, the Minister for External Affairs in Jersey, and myself are paying a visit to Paris next month, in a few weeks' time, and we will have meetings with members of the Assemblée Nationale there, as well as with senators as well, in the hope of establishing a number of groups that will be our friends and understand how we work. We are doing our utmost to ensure that the sorts of situation that Deputy Paint has painted do not occur in the future. And it is incumbent - I will just emphasise this - that whilst the focus of Brexit perhaps is on the UK in terms of external relations, we look elsewhere as well and we foster our own good relationships. We have got some very good strong relationships through Guernsey Finance with many other countries in the world. We are developing, as I have said earlier in my speech, the opportunities through the World Trade Organisation. Therefore, we need to continue in this manner.

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The Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

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Are the Committee's plans sufficiently flexible to adapt in the event, which is possible, of the UK not withdrawing from the European Union, and is anything being done which would leave us disadvantaged in any way in the event that the UK does not withdraw?

The Bailiff: Deputy Le Tocq.

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Deputy Le Tocq: I do not believe so. It would certainly be a lot easier for us than it would be for the UK if that were to occur. The fact that we had prepared for the possibility of Brexit before and had scoped out the various options that could take place - because it is even still complex now - as to where the UK could end up in terms of its relationship with the EU, whether or not the scenario that Deputy Fallaize painted actually takes place or something else occurs ... Therefore we know roughly where we would want to be in that and I think we are as prepared at this point as we possibly can be.

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1020 I do not think there is anything more we should be doing, but in the future we need to keep
apace. Keeping apace and realising the importance of every Member of this Assembly taking this
very seriously in the light of other important domestic issues that we have got is really vital to us.

The Bailiff: Deputy Smithies.

1025 **Deputy Smithies:** Thank you, sir.

Just reverting to Deputy Le Tocq's response to Deputy Paint and the discussions which are
going on in the mainland of Europe in France, is there any intention to seek to adjust the status of
Channel Islanders, i.e. those with four grandparents and both parents born in Guernsey and whose
passports are overstamped with the words 'Not eligible to work in the EU'; and, if so, what?

1030 **The Bailiff:** Deputy Le Tocq.

1035 **Deputy Le Tocq:** I thank Deputy Smithies for his question. I referred to that in my long speech,
but perhaps it was misunderstood to some degree. Yes, basically once the UK leaves the EU that
particular Protocol 3, and therefore the need for that clause in the passport and that definition of
what a Channel Islander is, as it were, drops. That is something that we have made very clear right
from the start. What we want to ensure, and we are strongly lobbying for, is that all Bailiwick
residents who are British passport holders have the same status and rights after the UK leaves the
EU.

1040 **The Bailiff:** Deputy de Sausmarez.

Deputy de Sausmarez: Thank you, sir.

I welcome the news that the issue of our territorial sea bed is among the priorities. Can Deputy
Le Tocq give us any kind of indication of when we can reasonably expect an outcome?

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The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: No, sorry. *(Laughter)*

1050 **The Bailiff:** Deputy Parkinson and then Deputy Roffey.

1055 **Deputy Parkinson:** Yes, sir. Could Deputy Le Tocq confirm that P&R recognise that the
greatest threat to our ability to recruit staff from EU countries going forward probably lies in the
collapse of the value of sterling against the euro and that it is very unlikely that we would be able
to have any different immigration arrangements compared with those applying on the UK
mainland while we wish to have an open border between us and the UK?

The Bailiff: Deputy Le Tocq.

1060 **Deputy Le Tocq:** Deputy Parkinson has exactly described the dilemma that we are in. We are
in the sterling zone and I would agree with his analysis that at the moment the particular
problems in recruiting members of the EU to jobs in Guernsey is probably to do with the
devaluation of sterling as a result of Brexit etc. But in the future I do think we need to ensure, as I
said before, that we provide, bearing in mind those limitations and restraints, the greatest
opportunity so that our employers in Guernsey can recruit where necessary.

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We are talking about several levers that we can pull here, and there are probably some more
that we can get. I will refer again to something I have said in previous debates about how
important it is that we press ahead with the resolutions of the Constitutional Investigation
Committee, which would give this Assembly and our Government the opportunity to act at least

1070 more swiftly in certain cases where we could sign treaties and we could negotiate in certain areas that would be to Guernsey's advantage, and that is something that we are pressing ahead with.

The Bailiff: Deputy Roffey.

1075 **Deputy Roffey:** Pursuing that point, in his Statement Deputy Le Tocq said that our own population control regime and Brexit should be regarded as totally separate – but are they, because the presumption that most permit holders would leave after five years was based on the presumption that we would be able to recruit new workers to take their place after those five years. If the second presumption is now at least in some doubt, should we not look at the first one, because otherwise we could jigger our economy through our own policy?

The Bailiff: Deputy Le Tocq.

1085 **Deputy Le Tocq:** I do agree with Deputy Roffey on that point. If I said that they were separate, I did not mean that; they are complementary and certainly they operate under different parts of the legislation, so that is the case. But they are complementary and that again should give us opportunity at different times in the economic cycle and political cycles to be able to do the sorts of things that he talks about.

1090 **The Bailiff:** Deputy Gollop.

Deputy Gollop: We are reassured to hear that Policy & Resources have many workers in this area and indeed meet at least fortnightly, probably engaging with the other Committees as well, but what can we ordinary States' Members do, the so-called backbenchers who are not on Policy & Resources, to assist the Committee or involve ourselves in any way?

The Bailiff: Deputy Le Tocq.

1100 **Deputy Le Tocq:** I think as we are going forward it is going to become increasingly important that we involve and work with other Members of this Assembly where that is necessary. It will require a great degree of briefing and all those aspects that come with it, but certainly support and, where necessary, understanding that the issues that we are dealing with here may be very small windows of opportunity where we need to act, and therefore, as Members and even as Committees, we may have to put other things aside in order to take action in a particular area as it coincides with where the UK is in terms of its negotiations.

**Forecast overspend –
Statement by the President of the Committee for Education, Sport & Culture**

The Bailiff: The 15 minutes are up. We will move on to the fourth Statement, to be delivered by the President of the Committee for Education, Sport & Culture.

1110 **Deputy Le Pelley:** Thank you, sir, for the opportunity to make this Statement concerning the Education, Sport & Culture forecast overspend.

We recognise the importance that this Assembly places on being informed on such matters at the earliest opportunity. This States meeting is the first opportunity to do so since the information became available to the Committee.

1115 I thank Deputy St Pier – sir, through you – for his recognition of the challenges facing the Committee for Education, Sport & Culture in achieving its 3% savings target for 2017. This 3% represents just over £2 million.

In summary, the Committee’s budget for 2017 is £74.8 million. We are currently projecting the year-end figure to be around £76.8 million, meaning a forecast overspend of just under £2 million.

1120 I would just like to take the opportunity to put the Committee’s current financial situation into context.

The former Education and Culture and Leisure Departments actively embraced the need to realise significant savings as part of the Financial Transformation Programme. Education alone delivered around £6 million of year-on-year savings through the FTP process. Those savings were achieved while continuing to improve standards in education, and I would just like to take the opportunity to congratulate all our students and staff for achieving such a fantastic set of GCSE, A-level, International Baccalaureate and Level 3 examination results this year. Well done.

Culture and Leisure also played their part in hitting their FTP target of just under £1 million.

The reality is the opportunity for realising further significant ongoing sustainable savings is now limited. Savings are becoming very much harder to achieve, as we are experiencing.

1130 I will be meeting with my Isle of Man and Jersey counterparts early next month and it is clear from our regular get-togethers that they are not being faced with the same budget cuts. Indeed, education funding is largely being protected and maintained at current levels in the Isle of Man, with education funding in Jersey even being increased. I mention that as context that may interest this Assembly and not as a plea that Education should be immune from the need to be set reasonable and achievable savings targets.

1135 I would like to assure Members that we have not taken our foot off the pedal. We continue to explore each and every opportunity for realising savings and for doing things differently and more efficiently. But this is always with the view that any changes must not have an unacceptable impact on the education of Guernsey’s children and young people, or indeed on the preservation of our unique culture and heritage.

1140 Whilst we have made savings in some areas – for instance, we have continued to reduce our staff numbers in both central services and schools wherever possible – there are some areas where spend has increased. For example, the excellent uptake of our pre-school entitlement has pushed spending in this area way beyond our initial estimates.

1145 The PWC benchmarking report has given us the opportunity to look in further detail at some of the areas they identify for possible future savings. We are continuing to do that, but I would reiterate Deputy St Pier’s words that ‘these opportunities will take some time to plan and deliver’.

1150 In the meantime, we have been able to implement some one-off savings this year to help us with our bottom line. These include temporary reductions in some grants that we provide, delaying some capital projects and paring back on some areas of our maintenance budgets. Regarding the latter, my Committee is acutely aware of the perils of underinvestment in maintenance. The fact that we have felt obliged to make those reductions this year is an indication of the struggle that we are facing.

1155 Our plans for the transformation of services, particularly our proposals for the future structure of secondary and post-16 education, is where the opportunity for future ongoing savings really lies. The PWC report recognised that opportunity. However, we must ensure that any such transformational change is carefully managed to ensure a successful transition to the new structure before operational efficiencies and the resulting financial savings can be finally realised. So, again, I have to caution that these savings are not achievable in the short term.

1160 My Committee thanks Policy & Resources for their continuing support and understanding of the challenges that we are facing.

Thank you, sir.

The Bailiff: Deputy Roffey.

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Deputy Roffey: Could Deputy Le Pelley tell us where his Department is on the local management of schools, because from the outside it would appear that delegation to boards of governors would allow a slimming down of the centre, which might help them to achieve the savings that are proving so problematic?

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The Bailiff: Deputy Le Pelley.

Deputy Le Pelley: Sir, local management of schools means different things in different jurisdictions. We are looking at the local management of schools, a Guernsey edition of it. It is in its early stages but it is under consideration.

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The Bailiff: Deputy Yerby.

Deputy Yerby: Sir, just on a matter of timing, for how long has the President of this Committee been aware of the factors which make future sustainable savings in education unlikely?

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The Bailiff: Deputy Le Pelley.

Deputy Le Pelley: Sir, the figures that we were given have varied from the beginning of this year to the end of June, which is when we had our last statement. We were told in March that we were likely to be £500,000 or thereabouts overspent – or should I say not overspent but not actually meeting our reductions that we were asked to do by the extra savings. Those figures have fluctuated upwards and we have actually had two different figures given to us in the next two quarters, so we have only very recently become aware that these figures need to be further investigated. We have actually had a meeting, which was supposed to be next Friday ... That has been delayed by a week because Policy & Resources and their financial whizz kids are looking even closer at the accounts to see exactly what is going on. It may be that some amounts have been budgeted wrong, they may have been put into the wrong heading, but we are looking very carefully at exactly where we are.

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The Bailiff: Deputy Le Clerc.

Deputy Le Clerc: Thank you, sir.

I wonder if Deputy Le Pelley could give us some more information on the overspend of the pre-school, when actually we would have known the approximate numbers of people going to pre-school and the number of hours going to pre-school. Is he able to give us some more detail?

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The Bailiff: Deputy Le Pelley.

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Deputy Le Pelley: The accountants tell us that we are about four hundred and something thousand pounds ... is the amount it has cost is more than we anticipated. I believe that is the figure. If I have got that wrong ... I have not got it right to hand, so perhaps I should be telling you that I am not sure but I will check it and get back to you – but I think it is somewhere in that region.

1210

The Bailiff: Deputy Fallaize.

Deputy Fallaize: I know that different parts of the Committee's budget have sometimes had different governance arrangements, but can he confirm that any adjustment in the grants paid to the libraries or the colleges can be incorporated in any revenue reductions that his Committee would record?

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The Bailiff: Deputy Le Pelley.

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Deputy Le Pelley: At the present time, sir, there are two grants that we have looked at: one is to the GTA; the other one is to the Guille-Allès Library. Both of those groups have been asked to take a grant holiday and we will be looking into their financial positions much more clearly to see if that is just a one-off or whether they can help us out again in the future. But at the present time, those are the two areas that we have looked at.

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The Bailiff: Deputy Gollop.

Deputy Gollop: I was a bit worried by something Deputy St Pier said earlier in relation to the overspend, because the implication was that it was very hard to cut from education, implying that sports and culture might bear a disproportionate amount of suffering. I think the States need a debate on it. Would you agree that what amounts to sports, culture, arts and heritage are in the frame, regrettably, for cuts of this nature?

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The Bailiff: Deputy Le Pelley.

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Deputy Le Pelley: Sir, if I were to put my cards on the table completely I would say that I think that Education has been asked to take too big a cut. I think the amount of money that we have been given as a budget and then the FTP of 10% and then the 3% for 2017 has been done without really looking closely at exactly what we can actually afford to lose. And, to be quite honest, this salami slicing has actually damaged us. We are going to be hitting frontline services very seriously if we are required to continue taking these kind of reductions.

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The question that Deputy Gollop asks, relating more to heritage and to sport, those two areas are equally important to us. We desperately need to ensure that our heritage, our ... We look after something in the region of 180 buildings in the built heritage. All of those things need to be maintained; otherwise we are going to have an even bigger bill in years to come.

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We looked at 2021 as a big year for Island Games, but the elite sports are mostly able to look after themselves. We need to be getting much more involved and we will be talking to other Departments – Health & Social Care will be one of them – to look and see if we can actually get people more active and make sure that things are better on the sporting front and the healthy activity front. We are not turning a blind eye to those – they are equally important to education.

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When it comes down to Education, we are finding it very tough. We have got differences in ... Just a couple of examples. One is what happened in Alderney towards the end of the year, where quite a number of teachers were unable to remain in post. We had to get out an awful lot of help with the federated teaching system. That meant travel to and from Alderney on a regular basis and also overnight accommodation – amounts of money which had not really been budgeted for because we had no anticipation that there would be such a requirement from Alderney. We also did not expect so many women to actually be claiming maternity leave in this year. Fifteen was the number from last year. That was the number that was projected for this year and the number is much higher. Those are formulated things that we cannot control, so that is why we are finding it tough.

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But I agree with you, Deputy Gollop, we are looking at sport and culture just as equally as we are education.

The Bailiff: Deputy Lester Queripel.

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Deputy Lester Queripel: Sir, the President focused on savings several times in his Statement and it is clear the Committee are going to have to prioritise in the future, but this Assembly recently voted in favour of a sports strategy and my great concern is that, in an attempt to identify

1270 savings, that sports strategy will be put on the back burner. Can the President given me an assurance that that will not happen, please?

The Bailiff: Deputy Le Pelley.

1275 **Deputy Le Pelley:** Sir, I can assure Deputy Lester Queripel that that strategy will not be put on the back burner. In fact, it is on the front burner. Deputy Inder has already started scoping out that strategy and we are engaging with our officers to ensure that that is done in a timely fashion. In fact, I will make it known to you all now that I have actually asked Deputy Inder to see if he can actually forward that so that it becomes a priority for 2018 rather than 2019.

1280 What I will also say is that I think we are going to have to come back to the States and say to the States you are cutting our budget far too hard, we are in desperate need of more cash to deliver, in Education, a sporting and a heritage service that is worthy of this Island.

The Bailiff: Deputy Brehaut.

1285 **Deputy Brehaut:** Thank you.

Could I ask the President, is the School's music service a 'nice to have' or is it a frontline service, and could he remind us of what the cost of that service is at this time, please?

1290 **Deputy Le Pelley:** Again, you are asking me a figure that I have not got at the top of my head. It is somewhere in the region of £750,000 per annum, I believe, but I will double check that and get back to you with the accurate figure.

I see it as something more than just a 'nice to have', I think there is an awful lot of talent in this Island which we have to encourage and foster and grow, and that is one area that I would not, personally, want to see damaged in any way.

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The Bailiff: Deputy Roffey.

1300 **Deputy Roffey:** Deputy Le Pelley says that his Committee are not able to manage within the cost regime that is being spelt out. I have sympathy with him, but can he remind us how he voted on the proposal to take an extra £26.6 million out of public spending when we discussed the Medium Term Financial Plan?

The Bailiff: Deputy Le Pelley.

1305 **Deputy Le Pelley:** Right at the moment, I cannot, sir. *(Laughter)*

The Bailiff: Deputy Trott.

1310 **Deputy Trott:** Sir, is the President of ESC aware that a presentation is due to take place this afternoon on the subject of the three colleges' future funding arrangements, at which he and his Committee, and indeed all States' Members, are most welcome.

Deputy Le Pelley: Yes, Deputy Trott, I am aware.

1315 **The Bailiff:** Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

I can help Deputy Le Pelley because he and all the Members of his Committee voted in favour of stripping another £26 million per year out of public expenditure only about seven or eight

1320 weeks ago. Nevertheless, I think the points he has made this morning are important and he has my sympathy, as somebody who did not vote in favour of those proposals.

But to return to the issue of funding of the colleges and the libraries, can the President of the Committee give the States some indication of what percentage of his Committee's required savings would be made, would be fulfilled, if the States voted in favour of the Committee's proposals to reduce funding of the Colleges.

The Bailiff: Deputy Le Pelley.

Deputy Le Pelley: I do not know what the percentages are, off the top of my head, but I can get that information to you.

We are going to – obviously – have a presentation later on today from the three colleges. You are going to have a presentation of our view on it when we come to debate it. I do not really want to pre-debate that particular issue.

As I am sure you are well aware, two Members of the Committee were excluded, or it was declared there was a conflict of interest, and they did not take part. So what you have in front of you is the unanimous view of the three remaining Members.

The view is that if selection at 11 has been abolished with effect from 2019 – it will take seven years to run through the system – but if there is no selection at 11 there will be no special place holders from 2026, and the view is why should we be paying money to the colleges for places that no longer exist? Now, the colleges will be asking or suggesting some kind of bursary scheme. I am not going to tell you what they are going to tell you, because they will tell you themselves this afternoon, but what they are offering, of course, is ... well, we have lost an awful lot of money or will lose an awful lot of money if we no longer have special place holders. We would like to invent some other system where we can get that money back.

The Bailiff: Deputy Oliver.

Deputy Oliver: Sir, Deputy Le Pelley mentioned that the short-term reduction would come from management of the properties. Can he assure me that with this short-term – I am assuming that means a delay in the management – that actually it is not going to cost more in the long-term?

The Bailiff: Deputy Le Pelley.

Deputy Le Pelley: Sir, we are *very* concerned that there could be delays. There are several groups out in the Assembly that are looking for us to be sent back to do other surveys or other studies and any of these setbacks are going to cause unwarranted and unnecessary delays. For example, if we are asked to go back and do a modelling of a particular system of education it could very well take us three months or so to actually do that. But that three months is not just three months knocked on, it comes into a new school year, and so you actually could delay the opening of a school by a year, not just by three months.

The Bailiff: Deputy Oliver.

Deputy Oliver: Sir, I was not talking about any rebuilding, I was talking about the current maintenance programme that must be in place. I am assuming that is what you were talking about.

Deputy Le Pelley: The current maintenance scheme – there are one or two things that have actually been proposed that need to be done. We have challenged the people that have come back and said that we need to do this, we need to do that. We have said, 'Can it wait? Can it be

1375 delayed so that the actual money can be saved this year?' The answer has been, in several cases, yes. We have delayed, but there is a worry there that in delaying there will be more deterioration of those buildings which will cost even more in the long-term to put right. So you have to look and get a balance, really, of is this particular project worthy of being delayed or is it going to cost a whole lot more if you delay it now and actually allow a lot more damage to occur. That is what I was referring to.

The Bailiff: Deputy Trott.

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Deputy Trott: Thank you, sir.

Is the President of the ESC able to confirm, possibly for the benefit of Deputy Fallaize, that the funding arrangements proposed by his Committee will have no material budgetary effect on his Committee's budget for the remainder of this Assembly's term?

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The Bailiff: Deputy Le Pelley.

Deputy Le Pelley: I am not quite sure exactly what your question is, can you repeat it?

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Deputy Trott: I can, and maybe elaborate, sir, by way of question.

Deputy Fallaize is insinuating that you could achieve your targets by cutting colleges' funding. The reality is you cannot. You have already made commitments, and any future arrangements will come into force well after the cessation of this Assembly. Therefore it is not possible for that number to contribute in the way in which he was phrasing the question.

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Deputy Le Pelley: I understand.

I understand that any savings that would be made in college funding would actually come back to the centre, not to education.

1400

The Bailiff: Deputy Soulsby.

Deputy Soulsby: Sir, yes.

Deputy Le Pelley said that he thought that Education was cut to the bone and there were little savings that could be made. At the same time, we have just had a PWC report which said that there are transformation opportunities. I wonder if you can square that circle for us, please.

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The Bailiff: Deputy Le Pelley.

Deputy Le Pelley: Surely.

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PWC, of course, came in and looked at two Departments – Home and Education. They carried out various interviews with various members of staff and really sort of co-ordinated a report back on various measures and suggestions and ideas that could actually make savings. Most of those ideas came from staff; most of those ideas were already in operation or about to be brought to the fore. So, PWC, in fact, have really collated an awful lot of good work that was actually either underway or about to be started.

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Yes, they have made some suggestions which we will act upon. But most of the savings that they have identified are not short-term savings, they are savings which will take time to actually come to fruition, and, in fact, may even actually cost something to set up so that the savings happen in the long-term. So there is no short-term, quick fix I am afraid, even with some of the PWC recommendations.

1420

**Procedural –
Continue until business completed**

The Bailiff: Fifteen minutes are now up. We need to take a decision as to whether we continue and finish the remainder of the business or whether we rise now and resume at 2.30 p.m. I will put to you the Proposition that we continue to finish the business, that is the Proposition I am putting to you, that we continue to sit until the business is finished. Those in favour; those against.

1425

Members voted Pour.

Questions for Oral Answer

**Guernsey College of Further Education –
Subsidy for evening and day classes; improvement of course programme;
numbers of course attendees**

The Bailiff: I believe that is carried, so we will continue and we will move to Question Time, where there are questions to be asked by Deputy Gollop of the President of the Committee for Education, Sport & Culture.

1430

Deputy Gollop: Thanking you, sir.

I will try not to inundate the President of Education, Sport & Culture at this time, but my first Question is: does the Committee believe that evening classes, day classes and the principles of lifelong education are worth supporting through a moderate subsidy by the States of Guernsey?

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The Bailiff: Deputy Le Pelley.

Deputy Le Pelley: Thank you, sir.

1440

The Committee for Education, Sport & Culture recognises the value of opportunities for lifelong learning. That commitment is reflected in our submissions to the Policy & Resource Plan which highlights our responsibility:

To encourage human development by maximising opportunities for participation and excellence through education, learning, sport and culture at every stage of life.

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There is also specific mention within our mandate of a commitment to advise the States and develop and implement matters including lifelong learning, and Section 23 of the Education Law also confirms that the Committee may make arrangements to provide adequate facilities for further education for persons over compulsory school age.

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With specific regard to what we describe as 'adult community learning', delivered through the College of Further Education, as I am sure Members are aware, a new schedule of fees has been agreed by the Committee for this academic year and has been published in the prospectus which is freely available online or at various Island outlets. I have even got one for you here, Deputy Gollop, should he need it.

1455

As I stated publically a few weeks ago, we will still be subsidising the majority of these adult community learning courses, and believe they still offer value for money, reducing the college of further education's losses in this area to around £50,000 per annum, if all courses operate as planned.

The Bailiff: Are there any supplementaries?

Deputy Gollop: Thanking you, Deputy Le Pelley.

1460 My supplementary would be that although we have heard some difficult news about the Education, Sport & Culture's budget this morning, would the Committee not agree that £50,000 is a low-ish subsidy compared to what we spend, for example, on certain transport services?

The Bailiff: Deputy Le Pelley.

1465 **Deputy Le Pelley:** Yes, indeed, sir.

I would agree that it is a low amount, but times are *very* tough and we are taking the view that wherever possible we actually get as good a return for what we put on as possible.

The Bailiff: Second Question, Deputy Gollop.

1470

Deputy Gollop: My second Question is: how can the Committee for Education, Sport & Culture make the course programme more popular and viable without significantly putting up course fees?

1475 **The Bailiff:** Deputy Le Pelley.

Deputy Le Pelley: It is an outdated view, sir, to expect a centrally funded States' Department to be running all adult education provision. There are excellent examples across the community of organisations with expertise and enthusiasm in a particular area providing courses: The University of the Third Age, the Youth Commission, the Sports Commission, the Workers Education Association and other local groups and organisations all offer bespoke, reasonably priced provision. Adult education is also competing with global, off-Island, online provision which can often considerably undercut our costs.

1480

As a Committee, we have had to balance the need to ensure the college operates as efficiently and effectively as possible alongside maintaining accessibility to these courses, which we know are important to the health, wellbeing and development of our community. This is why course fees have had to rise, but the increase has been capped between £20 and £50 per course for the year.

1485

A quick look at this year's part-time course prospectus will, I believe, show the breadth of our adult community learning offer with everything from flower arranging to Mandarin, sewing to the ever popular RYA day skipper courses.

1490

The Bailiff: Any supplementaries? Deputy Gollop.

Deputy Gollop: I should declare I am not a skipper, but I was actually re-elected last night as a member of the Workers Education Association Committee. The AGM had over a hundred people present.

1495

But I would like to ask how far has the Board, at a strategic level, been able to consider improving and furthering advertising of these courses to ensure maximum enrolment?

1500 **The Bailiff:** Deputy Le Pelley.

Deputy Le Pelley: We are happy to advertise as much as we can, sir, but I do not really want to drift into the next Question, because I know you have another one.

1505

But, yes, we do need to advertise. Advertising is very important to us but we also have to make sure that the advertising comes at a reasonable price. We are doing a fair bit of advertising electronically, by posters and various other things and also by adverts in the paper. Also, of course, these booklets here are readily available throughout *many* outlets in the Island – they are

all free – and they are available for people to take away and consider exactly what is on offer, at very reasonable prices.

1510 We have held prices down for so long they really are out of date and really do need to be adjusted, and that we have actually started to do. There was some talk, earlier in the year, of some of the prices that were allegedly leaked to the *Press*, saying that the costs were going to be leaping quite high. In fact, that was a leaked document; it was not our proposals at all, and hopefully that has been corrected and the actual prices are much more reasonable.

1515 **The Bailiff:** Your third Question, Deputy Gollop.

Deputy Gollop: My third and final Question.

1520 What level of take up of courses would be seen as acceptable as a key performance indicator in terms of the number of people taking up the various course places?

The Bailiff: Deputy Le Pelley.

1525 **Deputy Le Pelley:** Sir, the College sets minimum group sizes which must be reached before a course will run. As we are still in the enrolling period, it is impossible to provide Deputy Gollop with the numbers of enrolment at this point.

1530 As an organisation working towards its mission, as a world class education institution, the College has developed a number of key performance indicators to measure the success of its provision. This is to ensure success for every student, but also as part of the drive to confirm that the offer represents best value for the community. Class size is only one element of those measures. As a general rule, a minimum class size of 10 participants is usually the limit. However, there is always a variance to that in-line with appropriate group size for the learning experience, for health and safety aspects and availability of resources and other specific requirements.

1535 **The Bailiff:** Any supplementary? Deputy Gollop.

Deputy Gollop: My supplementary is in developing the new policy of a more realistic way of charging, will the Committee deem it a success if the viability of the courses improve but the number of involvements overall decrease by a significant percentage?

1540 **The Bailiff:** Deputy Le Pelley.

Deputy Le Pelley: Sir, one thing that is very important is that we actually do offer this lifelong learning across the whole of the community.

1545 Education is compulsory from five to 16, but lifelong learning goes on from 16 right the way up until ... well, to death, really, and we do offer these courses at the College of FE for these various age groups. But there are *many* other organisations now that are actually being able to undercut us. I have already mentioned this in the Answer to your second Question, but there are very good value courses that can be done more cheaply, either by groups of enthusiasts, who can make their own arrangements, either by finding accommodation which is more cheaply available or, possibly, by not charging themselves their tuition fees. So, we are pretty sure that there is a good menu out there for courses to be done.

1550

Billet d'État XVII

ELECTIONS AND APPOINTMENTS

The Transport Licensing Authority – Election of a Member – Alderney Representative McKinley elected

The States are asked:

To elect a member of the Transport Licensing Authority to complete the unexpired term of office (that is to the 30th June 2020) of Deputy E. A. Yerby who has resigned that office, and whose letter of resignation is appended hereto, in accordance with Rule 16 of The Rules of Procedure.

1555 **The Bailiff:** We move on to the next Item, which is the Election of a Member of the Transport Licensing Authority.

I remind Members of the Assembly that there are restrictions on who can serve on the Transport Licensing Authority because various people cannot serve and they are: the President or Members of the Policy & Resources Committee, President or Members of the Committee for Economic Development, the President or Members of the Committee for the Environment & Infrastructure and the President or Member of a States' Trading Supervisory Board, so that does rather narrow the field – but are there any nominations?

1565 **Deputy Paint:** Sir, that leads me exactly right into what you were saying because until this morning, today, nobody showed any interest at all to become a Deputy on the TLA. Nobody even put their name forward, even though we did telephone and ask people, nobody was interested. But this morning, Alderney Representative Graham McKinley, did put his name forward.

The Members of the Board I have managed to speak to are happy with that but it has been pointed out to us that at some times he may be conflicted because –

1570 **The Bailiff:** He is either being proposed or he isn't – he is eligible. If he is to be proposed he can be proposed and seconded and then there can be a vote on that. If there are other candidates being proposed we will then have speeches, but we cannot have speeches at this point, Deputy Paint.

1575 **Deputy Paint:** No, I was just trying to explain the situation, sir, but thank you for saying that.

The Bailiff: So, I am not quite clear whether you are proposing Alderney Representative –

1580 **Deputy Paint:** I am! *(Laughter)*

The Bailiff: You are proposing Alderney Representative McKinley. Is there a seconder? Yes, Deputy Tindall, thank you.

1585 **Deputy Tindall:** I second.

The Bailiff: And do we have any other candidates? No, well in that case we go to the vote on the Proposition that Alderney Representative McKinley be elected as a Member of the Transport Licensing Authority. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare him elected.

Billet d'État XV

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

**The Land Planning and Development (Fees) (Amendment) Regulations, 2017;
The Insider Dealing (Securities And Regulated Markets) (Amendment) Order, 2017;
The Companies (Recognised Stock Exchanges) (Amendment) Regulations, 2017**

1590 **The Bailiff:** And we move to legislation, Greffier.

The Deputy Greffier: The following statutory instruments are laid before the States: the Land Planning and Development (Fees) (Amendment) Regulations, 2017; the Insider Dealing (Securities And Regulated Markets) (Amendment) Order, 2017; the Companies (Recognised Stock Exchanges) (Amendment) Regulations, 2017.

The Bailiff: I have not received notice of any motion to debate any of those.

DEVELOPMENT & PLANNING AUTHORITY

I. The High Hedges (Guernsey) Law, 2016 (Commencement) Ordinance, 2017 – Approved

Article I.

The States are asked to decide:

Whether they are of the opinion to approve the draft Ordinance entitled 'The High Hedges (Guernsey) Law, 2016 (Commencement) Ordinance, 2017', and to direct that the same shall have effect as an Ordinance of the States.

The Deputy Greffier: Article I, Billet d'État XV – the Development & Planning Authority, The High Hedges (Guernsey) Law, 2016 (Commencement) Ordinance, 2017.

1600

The Bailiff: Are there any requests for clarification or debate? We go to the vote then. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare that carried.

1605

A Member: Hooray! *(Laughter)* 12.50.06

COMMITTEE FOR EMPLOYMENT & SOCIAL SECURITY

**II. The Social Insurance (Guernsey) Law (Amendment) Ordinance, 2017 –
Approved**

Article II.

The States are asked to decide:

Whether they are of the opinion to approve the draft Ordinance entitled 'The Social Insurance (Guernsey) Law (Amendment) Ordinance, 2017', and to direct that the same shall have effect as an Ordinance of the States.

The Deputy Greffier: Article II, the Committee for Employment & Social Security – the Social Insurance (Guernsey) Law (Amendment) Ordinance, 2017.

1610 **The Bailiff:** Any requests for clarification or debate? We go to the vote then. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

THE COMMITTEE FOR EMPLOYMENT & SOCIAL SECURITY

**III. Employment & Discrimination Tribunal –
Removal of the Retirement Age of Panel Members and
Designation of the Convenor and Deputy Convenor –
Propositions carried**

Article III.

The States are asked:

To decide whether, after consideration of the Policy Letter entitled 'Employment and Discrimination Tribunal: removal of the retirement age of Panel members and designation of the Convenor and deputy Convenor', they are of the opinion:

- 1. To remove the requirement for members of the Employment and Discrimination Panel ('the Tribunal Panel') to retire on reaching the age of 70;*
- 2. To designate Mrs Tina Jane Le Poidevin as Convenor of the Tribunal Panel until 28th February 2018;*
- 3. To designate Mrs Christine Diane Le Lievre as deputy Convenor of the Tribunal Panel until 28th February 2018; and*
- 4. To direct the preparation of such legislation as may be necessary to give effect to the above decisions*

1615 **The Deputy Greffier:** Article III, the Committee for Employment & Social Security, Employment and Discrimination Tribunal – Removal of the Retirement Age of Panel Members and Designation of Convenor and Deputy Convenor.

The Bailiff: Deputy Le Clerc, the President of the Committee, will open debate.

1620 **Deputy Le Clerc:** Thank you, sir.

I have only a few words to open as I believe that this paper is self-explanatory. I know that there are some Deputies in this Assembly that also feel age should not be a barrier to be able to continue to work (**A Member:** Hear, hear.) and is not a good predictor of productivity, skill or capability of undertaking a role.

1625 The Committee believes we should move towards a culture where decisions are based on an individual's competency and not age. (**Several Members:** Hear, hear.) This short paper does give the Assembly a feel for the direction the Committee is going on the subject of ageism, ahead of our policy paper on longer working lives, which we will bring back to the Assembly later this year or early next year and I therefore ask for your support for our recommendations.

1630 **The Bailiff:** Do you wish to say anything about the designation of Mrs Le Poidevin and Mrs Le Lièvre as Convenor and Deputy Convenor of the Tribunal Panel at this stage?

Deputy Le Clerc: Again, sir, I think the paper is self-explanatory.

1635 **The Bailiff:** Thank you very much.
Any debate? Deputy Roffey.

Deputy Roffey: Thank you, sir.

1640 I am relieved that a discriminatory provision is being removed in relation to the panel looking at discrimination; I think that is probably quite a good thing! But I do hope that this is just a harbinger. Really, I suppose, my question is less for Deputy Le Clerc and almost more looking at Deputy St Pier. Should we not, as an Assembly, just make a concerted attempt to remove root and branch discriminatory age based provisions (**A Member:** Hear, hear.) from every area that we have control over?

1645 **Several Members:** Hear, hear.

The Bailiff: Deputy Graham.

1650 **Deputy Graham:** Sir, I know even with the prospect of a late lunch, the Assembly would be disappointed if I did not rise (*Laughter*) to thank Deputy Le Clerc and her Committee for this splendid initiative, and I echo the words of Deputy Roffey.

1655 I think we ought to, at the same time, make the point that we do not conflate retirement age with the age at which people might be entitled to retirement benefits. That is an entirely separate issue in my view.

1660 Nor, really, do I seek to deny the case that can be made to have statutory limits to the length of tenure of office, because I think that is a relevant factor. But this is one more example of another step on the road towards an objective which, I hope, will enable the States at the end of this four years of our term to look back and say this is the States that got rid of every single statutory aberration.

The Bailiff: No one else is rising. Do you wish to reply, Deputy Le Clerc?

1665 **Deputy Le Clerc:** Sir, I am not sure that there is much more that I can say, other than we will be bringing back the paper on longer working lives and a lot of the recommendations and suggestions that Deputy Roffey and Deputy Graham have made will be contained in that paper.
Thank you.

1670 **The Bailiff:** Thank you.
Well, there are four Propositions; I put all four to you together. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare them carried.

POLICY & RESOURCES COMMITTEE

VI. Schedule for Future States' Business approved

Article VI.

The States are asked to decide:

Whether, after consideration of the attached Schedule for future States' business, which sets out items for consideration at the Meeting of the 6th September 2017 and subsequent States' Meetings, they are of opinion to approve the Schedule.

The Deputy Greffier: Article IV – the Schedule for Future States' Business.

1675 **The Bailiff:** The Schedule has been circulated. Deputy St Pier, do you wish to say anything?

Deputy St Pier: Sir, as ever, I think the schedule is, or should be, self-explanatory.

1680 I think the only thing that is perhaps worth drawing attention to is Members will note that there is both a policy letter from the Committee *for the Environment & Infrastructure* in relation to the eastern part of L'Ancrese Bay and also the requête laid by Deputy Inder and others. But, of course, as Members will also be aware, Deputy Inder has indicated his intention to lay a motion to withdraw that requête. Nonetheless the Rules do provide that it should appear as it does on this schedule in this way but I think Members are expecting the policy letter to be debated but not the requête.

1685

The Bailiff: Does anybody wish to amend the Schedule? No, we go straight to the vote then. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

1690 And that concludes the business for this Meeting. I look forward to seeing you in three weeks' time, for what I suspect may be a slightly longer Meeting! *(Laughter)*

The Assembly adjourned at 12.54 p.m.