



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Tuesday, 7th November 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, 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, T. J. Stephens, C. P. Meerveld

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The South-East

Deputies H. J. R. Soursby 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);
C. Foster (H.M. Deputy Greffier), (afternoon)

Absent at the Evocation

M. M. E. Pullum, Q.C., (H.M. Procureur); Deputy J. C. S. F. Smithies (indisposé);
Deputy A. H. Brouard (absent de l'île); Deputies G. A. St Pier (relevé à 09h35);
B. L. Brehaut (relevé à 09h 58); E. A. Yerby (relevé à 09h58).

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States of Deliberation

*The States met at 9.30 a.m. in the presence of
His Excellency Vice-Admiral Sir Ian Corder, K.B.E., C.B.
Lieutenant-Governor and Commander-in-Chief of the Bailiwick of Guernsey*

[THE BAILIFF *in the Chair*]

PRAYERS

The Deputy Greffier

EVOCATION

CONVOCATION

The Deputy Greffier: Billet d'État XX of 2017.

To the Members of the States of the Island of Guernsey, I hereby give notice that a meeting of the States of Deliberation will be held at the Royal Court House on Tuesday, 7th November, 2017, at 9.30 a.m. to consider the item listed in this Billet d'État, which has been submitted for debate.

Billet d'État XX

POLICY & RESOURCES COMMITTEE

I. States of Guernsey Annual Budget for 2018 – Debate commenced

Article I.

The States are asked to decide:

Whether, after consideration of the States of Guernsey Annual Budget for 2018, they are of the opinion:

- 1. To immediately transfer the sum of £8.1million from General Revenue to the Capital Reserve.*
- 2. To immediately transfer the sum of £5million from the General Revenue Account Reserve to the Core Investment Reserve.*
- 3. To delegate authority to the Policy & Resources Committee to create pooled budgets, by re-allocating Committee budgets, where a need to do so is identified in any prioritised policy workstream.*

4. That the twenty-three policies set out in paragraphs 4.17 to 4.39 of this Report are prioritised in order to deliver the outcomes detailed in the Policy & Resource Plan – Future Guernsey.
5. To extend the company intermediate income tax rate (10%) to income from the provision of investment management activities to individual clients (as defined in paragraph 5.7 of this Report, with the Policy & Resources Committee authorised to prescribe any matter relating to this definition including any limitations, conditions, restrictions and qualifications thereon by regulation) and to direct the preparation of such legislation as may be necessary to give effect to this decision with effect from 1 January 2018.
6. To amend the conditions for entitlement to the Charge of Children Allowance, such that a single person may continue to claim Charge of Children Allowances whilst the child is in higher education.
7. To allow on death of a spouse in a marriage or civil partnership, either spouse to have the right to transfer the full unused allowance in the year of death to the surviving spouse.
8. To endorse the intention of the Policy & Resources Committee to:
Reduce the contribution limit in regulation 1A(3) of the Income Tax (Pensions) (Contribution Limits and Tax-free Lump Sums) Regulations, 2010, as amended, from £50,000 to £35,000 in respect of year of charge 2018 and any succeeding year of charge by resolution of the States.
9. To further limit the entitlement to personal and other tax allowances and withdrawable deductions, through extending the phased withdrawal of personal tax allowances and withdrawable deductions at a ratio of £1 for every £3 a person's calculated income increases above the social security upper earnings limit, in the manner prescribed in the First Schedule to proposition 13, to the other tax allowances and deductions listed below:
- Dependent Relative Allowance
 - Infirm Person's Allowance
 - Housekeeper Allowance
 - Charge of Children Allowance
 - Pension contributions, namely –
 - Retirement Annuity Allowance
 - Contributions to an approved occupational or personal pension scheme over £1,000 (which aggregate amount shall not be withdrawn, and shall not form part of the 'withdrawable deduction')
 - Mortgage Interest Relief
- with the Policy & Resources Committee authorised to prescribe any limitations, conditions, restrictions and qualifications relating to this matter by regulation and to direct the preparation of such legislation as may be necessary to give effect to this decision in respect of year of charge 2018 and any succeeding year of charge. In all cases, such withdrawable deductions shall be treated as if they were allowances for the purposes of calculating an individual's assessable income.
- For the purpose of this paragraph –
- (i) calculated income is an individual's income net of deductions but gross of any withdrawable deductions to which that individual is entitled, and
 - (ii) the withdrawable deductions are the following deductions
 - (a) Pension contributions, namely –
 - i. Retirement Annuity Allowance, and
 - ii. contributions to an approved occupational or personal pension scheme
 - over £1,000 (which aggregate amount shall not be withdrawn, and shall not form part of the 'withdrawable deductions')
 - (b) Mortgage Interest Relief

10. With effect from 1 January 2018 to introduce a limit of tax payable by an individual principally resident (for tax purposes) in Guernsey of £50,000 in respect of a year of charge (the 'open market tax cap'), where that individual—

- (a) has paid £50,000 or more in document duty in respect of the purchase of a property on Part A of the open market register on or after 1 January 2018 ('the relevant purchase'), and
- (b) has made the relevant purchase on a date either up to six months prior to, or up to six months after, the date on which the individual takes up permanent residence in Guernsey ('the permitted period'), and
- (c) has not been resident in Guernsey at any time in the previous three years prior to the relevant purchase save for the permitted period.

This open market tax cap shall only be available for the year of charge in which the individual takes up permanent residence and for each of the three consecutive years of charge immediately thereafter, and that accordingly the sixth schedule to the Income Tax (Guernsey) Law, 1975 shall be replaced by the following –

SIXTH SCHEDULE

Section 39B

LIMIT ON TAX PAYABLE BY AN INDIVIDUAL

1. Individuals resident in Guernsey (but not in Alderney)

Subject to paragraph 3 below, an individual resident in Guernsey shall pay a maximum of £110,000 (£100,000 for Years of Charge 2008-2011) in tax in a year of charge, in respect of income from the following sources—

Qualifying income

- (1) Any income derived from non-Guernsey sources, including:
 - (a) income from businesses,
 - (b) income from offices and employments,
 - (c) income from the ownership of lands and buildings, and
 - (d) income from other sources.
- (2) Income derived from a body which has been granted an exemption from tax for that year of charge under an Ordinance made under section 40A, other than income arising or accruing from an office or employment held or exercised in Guernsey.
- (3) Any interest arising in Guernsey upon money deposited with a licensed institution or other person exempted from the requirement to be licensed under the provisions of the Banking Supervision (Bailiwick of Guernsey) Law, 1994.

Income tax on income from any other sources (referred to in this Law as 'non-qualifying income') shall not be subject to this limit.

However, notwithstanding the preceding provisions of this Schedule, an individual resident in Guernsey in receipt of non-qualifying income may, within a period of six years immediately after the end of any year of charge commencing after 2008, elect to pay in respect of both qualifying and non-qualifying income (other than non-qualifying income arising or accruing from the ownership of lands and buildings situate in Guernsey, the tax on which is, for the avoidance of doubt, payable in addition to the amount of the limits on tax specified in this Schedule) in that year a maximum of £220,000 (£200,000 for Years of Charge 2008-2011) in tax, and in that case –

- (i) the maximum figure specified above of £110,000 (£100,000 for Years of Charge 2008-2011) in tax in the year of charge in respect of qualifying income does not apply, and

(ii) the individual shall pay in respect of both qualifying and non-qualifying income (other than non-qualifying income arising or accruing from the ownership of lands and buildings situate in Guernsey, the tax on which is, for the avoidance of doubt, payable in addition to the amount of the limits on tax specified in this Schedule) in that year a maximum of £220,000 (£200,000 for Years of Charge 2008-2011) in tax.

Income from non-Guernsey sources does not include any income arising or accruing from –

- (a) businesses carried on in Guernsey,
- (b) offices or employments held or exercised in Guernsey,
- (c) the ownership of lands and buildings situate in Guernsey, and
- (d) any other source in Guernsey.

2. Individuals resident in Alderney

An individual resident in Alderney shall pay a maximum of £50,000 in tax in any year of charge from 2016 to 2020 in respect of Alderney qualifying income save where that individual has in any previous year of charge by virtue of section 39B claimed the limit on tax payable under this schedule as it had effect prior to 1 January 2016, in which case that individual may claim the limit on tax payable available under paragraph 1 of this schedule as if he were instead resident in Guernsey.

'Alderney qualifying income' means from any sources except Alderney non-qualifying income.

'Alderney non-qualifying income' means income arising or accruing from the ownership of lands and buildings situate in Guernsey (including, for the avoidance of doubt, Alderney), which shall not be subject to the limit.

3. Individuals principally resident in Guernsey who have purchased a Part A open market property

Where an individual principally resident in Guernsey

- (i) has paid £50,000 or more in document duty in respect of the purchase of a property on Part A of the Open Market Register on or after 1 January 2018 ('the relevant purchase'), and
- (ii) has made the relevant purchase on a date either up to six months prior to, or up to six months after, the date on which the individual takes up permanent residence in Guernsey ('the permitted period'), and
- (iii) has not been resident in Guernsey at any time in the previous three years prior to the relevant purchase save for the permitted period,

such individual may, instead of claiming the tax cap in paragraph 1 above, pay an annual maximum of £50,000 in tax (the 'open market tax cap') in respect of each of the years of charge specified hereafter. The open market tax cap may only be applied to the year of charge in which the individual takes up permanent residence and to each of the three consecutive years immediately thereafter. The open market tax cap shall apply in respect of both qualifying and non-qualifying income as defined in paragraph 1, other than non-qualifying income arising or accruing from the ownership of lands and buildings situate in Guernsey, the tax on which is payable in addition to the amount of the limits on tax specified in this Schedule.

4. Determination of where income arises

In determining for the purposes of this Schedule whether any income does arise in, or from the ownership of lands and buildings situate in, Guernsey (including, for the avoidance of doubt, Alderney) the income may be traced through any number of companies, partnerships, trusts, agreements or other arrangements of any description and, for that purpose, section 62D(2) shall apply (subject to the necessary modifications) in determining whether a person has an interest in, or income arises from, any company, partnership, trust, agreement or arrangement through which the interest or income is traced.'

11. To amend the Income Tax Law to include an additional provision, so that someone is only treated as principally resident in Guernsey under section 3(3)(c) where they are resident only in that year and principally resident in the following year, but were not resident in the previous

year, and to direct the preparation of such legislation as may be necessary to give effect to this decision.

12. To amend section 65 of the Income Tax Law such that a settlor is only liable to tax on distributions from a company or other entity held or under the control of trustees of a revocable settlement, without prejudice to the application by the Director of Income Tax of the anti-avoidance provisions of section 67 of the Law in the manner indicated in paragraph 5.46 of this Report, and to direct the preparation of such legislation as may be necessary to give effect to this decision.

13. To endorse the intention of the Policy & Resources Committee to introduce a system of independent taxation as follows:

- (a) Phase 1 – with effect from 1 January 2018, each individual's income and entitlement to allowances are considered separately, with full transferability of unused personal and other tax allowances mirroring the current position (the transfer will be automatic for married couples and those in civil partnerships). Joint assessment for married couples/civil partnerships will continue; and*
- (b) Phase 2 – introduction of independent taxation, including individual assessments, albeit retaining full transferability of unused allowances mirroring the current position.*

and to direct the preparation of such legislation as may be necessary to give effect to this decision.

14. That,

(a) Subject to the provisions of the Income Tax (Guernsey) Law, 1975 and to the provisions of this Proposition, the allowances claimable for the Year of Charge 2018 by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate, shall be the allowances specified in the First Schedule to this proposition.

(b) The allowances specified in the First Schedule to this Proposition shall only be granted to an individual who has made a claim in accordance with the provisions of the Income Tax (Guernsey) Law, 1975 and who has proved the conditions applicable to such allowances and prescribed in the Second Schedule to this Proposition have been fulfilled.

(c) 'Family Allowances' means Family Allowances payable under the Family Allowances (Guernsey) Law, 1950 as amended; and

(d) 'the Income Tax (Guernsey) Law, 1975' means that Law as amended, extended or applied by or under any other enactment.

FIRST SCHEDULE

Year of Charge 2018

Allowances claimable by an individual solely or principally resident in Guernsey by way of relief from income tax at the standard rate. In order to calculate the amount of the allowance, where the taxpayers are married or in a civil partnership, each spouse's income shall be considered separately, in accordance with the table below. All allowances are subject to the following conditions –

- (i) the allowances shall be pro-rated for a person who is solely or principally resident in the years of that person's, arrival in, or permanent departure from, Guernsey, based on the proportion of time spent in Guernsey in the relevant year of charge in the same manner in which income is pro-rated by virtue of sections 5(3) and 5(4) of the Income Tax (Guernsey) Law, 1975,
- (ii) where a person is in receipt of a Guernsey source pension, which is liable to be taxed at source under the Employees Tax Instalment scheme, or a Guernsey old age pension arising under section 33 of the Social Insurance (Guernsey) Law 1978, then the pro-rating under section 51(5) and 51A(2A) of the Income Tax (Guernsey) Law, 1975 shall apply –
- (i) from the commencement of the year of charge until the date of arrival (in the case of that person's permanent arrival), or
- (i) from the date of departure until the end of the year of charge (in the case of that individual's permanent departure), and
- (ii) the totality of each person's allowances and withdrawable deductions are reduced at a ratio of £1 of allowances and withdrawable deductions for every £3 that that person's calculated income is above the upper annual earnings limit as determined by the Committee for Employment & Social Security in respect of the relevant tax year.

For the purpose of this schedule –

(a) calculated income is an individual's income net of deductions but gross of any withdrawable deductions to which that individual is entitled, and

(b) the withdrawable deductions are the following deductions

- Pension contributions, namely
 - Retirement Annuity Allowance
 - contributions to an approved occupational or personal pension scheme over £1,000 (which aggregate amount shall not be withdrawn, and shall not form part of the 'withdrawable deductions')
- Mortgage interest relief

NATURE OF ALLOWANCE

AMOUNT OF ALLOWANCE

1. Personal Allowance*^
2. Age-related allowance*^

Tax at the standard rate on £10,500.

Tax at the standard rate on £950 for persons aged 64 years or over at the commencement of the year of charge.

3. Dependent Relative Allowance*

In respect of each dependent relative - tax at the standard rate on £3,375 or on the amount of the contributions whichever is less:

Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £7,125 the allowance shall be reduced to tax at the standard rate on such sum as remains after subtracting from £3,375 the sum of £1 for every pound by which the dependent relative's income exceeds £7,125.

Provided further that if any Family Allowances are payable in respect of the

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|---|---|
| | <i>dependent relative, the allowance shall be further reduced to tax at the standard rate on such sum as remains after subtracting from £3,375, or such lesser sum as remains after deducting from £3,375 the sum of £1 for every pound by which the dependent relative's income exceeds £7,125 the sum of £282 for every month in the year of charge for which such Family Allowances are payable.</i> |
| 4. <i>Infirm Person's Allowance*</i> | <i>Tax at the standard rate on £3,375</i> |
| 5. <i>Housekeeper Allowance</i> | <i>Tax at the standard rate on £3,375</i> |
| 6. <i>Charge of Children Allowance*</i> | <i>Tax at the standard rate on £7,125</i> |
| 7. <i>Retirement Annuity Allowance*</i> | <i>Tax at the standard rate on a sum equal to the qualifying premiums or contributions.</i> |

SECOND SCHEDULE

Conditions applicable to the allowances specified in the First Schedule

Dependent Relative Allowance

- A. (1) *The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in the case of a child receiving higher education are:*
- (a) *that the child in respect of whom an allowance is claimed -*
 - (i) *is the child of the claimant, or*
 - (ii) *is the illegitimate child of the claimant and in the year of charge is maintained by the claimant;*
 - (b) *that on the first day of August in the year of charge, the child is over the age of nineteen years and is, in that year of charge, receiving full-time instruction at any university, college, school or other educational establishment.*
 - (c) *that the claim relates to a dependent relative in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2018.*
- (2) *The expression 'child' shall include a stepchild, and a child who has been lawfully adopted shall be treated as the child of the individual by whom he has been so adopted and not as the child of the natural parent.*
- (3) *Where a couple are cohabiting as if they were married and either has a child in respect of whom a dependent relative allowance is claimable, either individual by a notice in writing addressed to the Director, may elect that, for the purposes of the said allowance, the child shall be treated as if it were the child of that cohabitee.*
- (4) *In computing the amount of a child's income in his own right, no account shall be taken of any sum to which the child is entitled as the holder of a scholarship, bursary or other similar educational endowment.*
- (5) *Where two or more persons jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.*

- B. (1) *The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in any other case are:*
- (a) *that the claimant at his own expense maintains or contributes towards the maintenance of a person being a relative of the claimant or of the claimant's spouse; and*
 - (b) *that the person so maintained is prevented by incapacity due to old age or infirmity from maintaining himself; and*
 - (c) *that the claim relates to a dependent relative in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.*
- (2) *Where two or more persons jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.*

Infirm Person's Allowance

- (1) *The conditions to be fulfilled to entitle a claimant to an infirm person's allowance are:*
- (a) *that the claimant is by reason of old age or infirmity or by reason of the old age or infirmity of the claimant's spouse compelled to maintain or employ an individual solely for the purpose of having care of the claimant or the claimant's spouse;*
Provided that the allowance shall not be granted by reason of infirmity unless throughout the year the claimant or the claimant's spouse was permanently incapacitated by physical or mental infirmity.
 - (b) *if such an individual is a relative of the claimant or of the claimant's spouse and if the claimant is entitled to any other allowance in the First Schedule in respect of that individual, that the claim has been relinquished;*
 - (c) *that the claim relates to an infirm person in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.*
- (2) *Not more than one allowance shall be allowed to any claimant for any year.*

Housekeeper Allowance

- (1) *The conditions to be fulfilled to entitle the claimant to a housekeeper allowance are:*
- (a) *that the claimant is a widow or widower.*
 - (b) *that in the year of charge a person is employed or maintained by the claimant solely for the purpose of acting in the capacity of a housekeeper for the claimant;*
 - (c) *if such person is a relative of the claimant or of the claimant's deceased spouse and if the claimant is entitled to any other allowance in the First Schedule in respect of that person, that the claim has been relinquished;*
 - (d) *that the claim relates to a housekeeper in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.*
- (2) *A housekeeper allowance shall not be granted to any individual for any year in respect of more than one person.*
- (3) *A housekeeper allowance shall not be granted to any individual in any year in which another person's unused allowance has been transferred to that individual or if that individual is in receipt of an infirm person's allowance.*
- (4) *'Housekeeper' means a person who is responsible by delegation for the management of the household, including arrangements for food, housekeeping expenditure and the care of linen and laundry.*

Charge of Children Allowance

- (1) *The conditions to be fulfilled to entitle a claimant who is married or in a civil partnership to a charge of children allowance are:*
 - (a) *that in the year of charge the claimant, or the claimant's spouse, is in receipt of Family Allowances in respect of one or more children*
 - (i) *on 1 January, or*
 - (ii) *on the date on which Family Allowance is first claimed in respect of that child in the year in question,*

whichever date is first relevant, and

- (b) *that the claimant proves that throughout the year either the claimant or the claimant's spouse is totally incapacitated by physical or mental infirmity and that a person is maintained or employed by the claimant for the purpose of having the charge and care of the child, and*
 - (c) *that neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained, or if the claimant or any other individual is so entitled, that the claim has been relinquished.*
- (2) *The conditions to be fulfilled to entitle a claimant who is not married or in a civil partnership to a charge of children allowance that in the year of charge:*
 - (a) *the claimant is in receipt of Family Allowances in respect of one or more children*
 - (i) *on 1 January, or*
 - (ii) *on the date on which Family Allowance is first claimed in respect of that child in the year in question,*

whichever date is first relevant, and

- (b) *the claimant is not cohabiting with another person, except where -*
 - (i) *the claimant proves that throughout the year either the claimant or the claimant's cohabitee is totally incapacitated by physical or mental infirmity, and that a third person is maintained or employed by the claimant for the purpose of having the charge and care of the child, and*
 - (ii) *neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained or if the claimant or any other individual is so entitled that the claim has been relinquished.*
- (3) *The claimant shall have relinquished any claim to a housekeeper allowance or to an infirm person's allowance for that year.*
- (4) *Where an individual has a child receiving higher education he shall, for the purposes of the preceding paragraphs numbered (1) to (3), be treated as if he were in receipt of a Family Allowance in respect of the said child.*

Provided that if there are two such individuals the charge of children allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that child
- (5) *Not more than one allowance shall be granted to any claimant for any year.*

Retirement Annuity Allowance

- (1) *The conditions to be fulfilled to entitle a claimant to a retirement annuity allowance or deduction under section 8(3)(bb) are that the claimant pays a premium or makes a contribution to a retirement annuity scheme or to a retirement annuity trust scheme approved under the provisions of section 157A of the Income Tax (Guernsey) Law, 1975 and of which the claimant or the claimant's spouse is a beneficiary.*
- (2) *Subject to the provisions of the next succeeding paragraph the qualifying premiums or contributions, as the case may be, shall be the amount of any premium paid or contribution made by the claimant during the year of computation of the income of the claimant assessable for the year of charge.*
- (3) *Notwithstanding the provisions of the preceding paragraph no allowance or deduction shall be given in respect of any qualifying premiums or contributions to the extent that, in aggregate, they exceed:*
 - (a) *100% of the income of the claimant during the year of computation referred to in the preceding subparagraph, or*
 - (b) *any retirement annuity contribution limit for the time being prescribed by Regulations made by the Committee.*

Transferability of unused allowances

- *the allowances marked with an * in the first schedule are transferable between taxpayers in the circumstances described in paragraph (i) below*
- *the allowances with an ^ in the first schedule are transferable between taxpayers in the circumstances described in paragraph (ii) below,*

and in all cases transfer is subject to the conditions detailed below.

(i) transfers between married couples or couples in a civil partnership

Any allowances due to an individual which are greater than the individual's own income may only be transferred to the spouse, if at the commencement of the year of charge the claimant's spouse is living with the claimant as a married couple.

Provided that, should the marriage or a civil partnership end in the year of charge, by reason of divorce or separation, the allowance is proportioned on the basis of the number of days in the year of charge which precede that event, with the relevant proportion of any unused allowances prior to that event being automatically transferred.

For the purposes of this paragraph –

'divorce' means that the Court for Matrimonial Causes has made a Final Order on a decree of divorce or of nullity of

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marriage in respect of the marriage in question or that the courts of another jurisdiction have made a corresponding order in respect thereof, and includes an order for the dissolution of a civil partnership, and

'separation' means that the couple are living separately as fully and as completely as though they had never been married or in a civil partnership, as the case may be.

Provided that, should the marriage or a civil partnership end in the year of charge, by reason of death, the full unused allowance is transferrable.

Where there is an entitlement to transfer of an allowance under this paragraph, that allowance will be automatically transferred.

(ii) transfers between co-habiting couples in receipt of Family Allowance, but not eligible for the charge of children allowance

Where the recipient of a Family Allowance in respect of one or more children is not entitled to claim the charge of children allowance because the claimant is cohabiting with another person, the claimant may, in respect of the year of charge, by notice in writing addressed to the Director, elect that any unused part of, the personal allowance to which the claimant would otherwise be entitled shall cease to be the claimant's and shall become part of the personal allowance of the person with whom he is cohabiting, such election, once made, to be irrevocable in respect of that year of charge.

For the purposes of this paragraph 'cohabiting' means living with another person as if they were married throughout the year of charge.

With immediate effect:

<i>a</i>	<i>Cigarettes</i>	<i>£339.83 per kilogram</i>
<i>b</i>	<i>Cigars</i>	<i>£338.29 per kilogram</i>
<i>c</i>	<i>Hand rolling tobacco</i>	<i>£315.03 per kilogram</i>
<i>d</i>	<i>Other manufactured tobacco</i>	<i>£273.25 per kilogram</i>
<i>e</i>	<i>Tobacco leaf – unstemmed</i>	<i>£303.34 per kilogram</i>
<i>f</i>	<i>Tobacco leaf – stemmed</i>	<i>£306.38 per kilogram</i>
<i>g</i>	<i>Petrol other than any fuel used for the purpose of air navigation</i>	<i>67p per litre</i>
<i>h</i>	<i>Petrol used for the purpose of marine navigation where supplied</i>	

	<i>by an approved trader</i>	<i>43.9p per litre</i>
<i>i</i>	<i>Gas oil</i>	<i>67p per litre</i>
<i>j</i>	<i>Biodiesel</i>	<i>67p per litre</i>
<i>k</i>	<i>Beer exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume</i>	<i>49p per litre</i>
<i>l</i>	<i>Beer brewed by an independent small brewery exceeding 1.2 per cent volume but not exceeding 4.9 per cent volume</i>	<i>49p per litre</i>
<i>m</i>	<i>Beer, other than beer brewed by an independent small brewery, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume</i>	<i>79p per litre</i>
<i>n</i>	<i>Beer brewed by an independent small brewery exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume</i>	<i>63p per litre</i>
<i>o</i>	<i>Beer, other than beer brewed by an independent small brewery, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume</i>	<i>99p per litre</i>
<i>p</i>	<i>Beer exceeding 7.5 per cent volume</i>	<i>£1.14 per litre</i>
<i>q</i>	<i>Spirits</i>	<i>£35.66 per litre of alcohol contained in the liquor.</i>
<i>r</i>	<i>Cider exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume</i>	<i>49p per litre</i>
<i>s</i>	<i>Cider produced by an independent small cider-maker exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume</i>	<i>49p per litre</i>
<i>t</i>	<i>Cider, other than cider produced by an independent small cider-maker, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume</i>	<i>79p per litre</i>
<i>u</i>	<i>Cider produced by an independent small cider-maker exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume</i>	<i>63p per litre</i>
<i>v</i>	<i>Cider, other than cider produced by an independent small cider-maker, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume</i>	<i>99p per litre</i>
<i>w</i>	<i>Cider exceeding 7.5 per cent volume</i>	<i>£1.14 per litre</i>
<i>x</i>	<i>Light wines not exceeding 5.5 per cent volume</i>	<i>62p per litre</i>
<i>y</i>	<i>Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)</i>	<i>£2.51 per litre</i>
<i>z</i>	<i>Other wines</i>	<i>£4.01 per litre</i>

16. To approve the draft Ordinance entitled 'The Excise Duties (Budget) Ordinance, 2017' and to direct that the same shall have effect as an Ordinance of the States.

17. To approve the draft Ordinance entitled 'The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2017' and to direct that the same shall have effect as an Ordinance of the States.

18. To direct the Committee for Education, Sport & Culture and the Committee for Home Affairs to report back in the June 2018 Policy & Resource Plan update policy letter with a detailed assessment of each opportunity identified in the PwC Report entitled 'Costing, benchmarking and prioritisation' together with an implementation plan including anticipated costs, benefits and timeline for delivery.

19. To approve the cash limits for ordinary revenue expenditure for 2018 totalling £377.8million as set out in paragraph 6.21 of this Report.

20. To direct that an oversight group comprising political representatives from both the Committee for Education, Sport & Culture and the Policy & Resources Committee is formed as a priority to oversee the development of initiatives and the delivery of budget reductions.

21. To authorise the Policy & Resources Committee, on the recommendation of the oversight group, to increase the 2018 revenue expenditure budget of the Committee for Education, Sport & Culture by the value of savings from projects initiated in 2018 but due to deliver benefits between 2019 and 2021.

22. To direct the Policy & Resources Committee and the Committee for Employment & Social Security to investigate options for enabling the integrated compilation and presentation and consideration by the States of all general revenue income and expenditure, including non-contributory benefits, and that the Policy & Resources Committee reports back, with appropriate proposals, in the 2019 Budget Report.

23. That the objective in the Fiscal Policy Framework which limits expenditure growth in real terms should be interpreted for 2018 to exclude £1.8million of the additional amount of £2.5million allocated to the Committee for Employment & Social Security to fund the introduction of the income support scheme.

24. To endorse the intention of the Policy & Resources Committee to use its existing delegated authority to approve partial-funding from the Capital Reserve for projects that are being initiated by non-States bodies that would support delivery of the objectives of the Policy & Resource Plan; where there is a business case that demonstrates the project represents value for money; and where the value does not exceed £250,000.

25. To set the States' Trading Supervisory Board a target minimum contribution to General Revenue of £5.5million of capital returns (in addition to any dividend paid in accordance with existing policy) from the States' trading assets in 2018.

26. To approve that returns of capital from the States' trading assets and capital income in 2018 be transferred to the Capital Reserve.

27. To transfer the sum of £53.2million from General Revenue to the Capital Reserve on 1 January 2018.

28. To agree that Resolution I. 20 on Billet d'État No. XXII of 2014 shall cease to have effect at the end of 2017 and that with effect from 1 January 2018 the investment return on the Core Investment Reserve should be credited to that Reserve up to the level necessary to maintain its real value as at 1 January 2018 and delegate authority to the Policy & Resources Committee to transfer some or all of any returns exceeding that level to the Capital Reserve.

29. To direct the Policy & Resources Committee to establish a social investment commission during 2018, to begin operation from 1 January 2019.

30. To increase the authority delegated to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund for Public Service Reform by £750,000 to £1.5million.

31. To delegate authority to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund of up to £750,000 to fund the development of the People Plan.

32. To delegate authority to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund of up to £375,000 to fund the development of an energy policy.

33. To increase the authority delegated to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund for the transition to the new system of population management by £500,000 to £1million.

34. To delegate authority to the Policy & Resources Committee to lend on capital raised by the States of Guernsey bond issue to Alderney Electricity Limited or provide a guarantee to facilitate Alderney Electricity Limited's external borrowings to fund upgrading the Alderney power station on such terms as the Committee may approve.

35. To endorse the decision of the Policy & Resources Committee to make available a temporary overdraft facility for 2018 of £11.8million to Aurigny Limited.

36. To approve the transfer of up to £435,000 in 2017 and up to £105,000 in 2018 from the States of Alderney capital allocation to the States of Alderney revenue budget.

37. To approve the revised Rules for Payments to States Members, Non-States Members and Former States Members attached as Appendix II to this Report.

38. To approve the following Expenditure Budgets for the year 2018:

- (a) Policy & Resources Committee
- (b) Committee for Economic Development
- (c) Committee for Education, Sport & Culture
- (d) Committee for Employment & Social Security
- (e) Committee for the Environment & Infrastructure
- (f) Committee for Health & Social Care
- (g) Committee for Home Affairs
- (h) Scrutiny Management Committee
- (i) Development & Planning Authority
- (j) Overseas Aid & Development Commission
- (k) States' Trading Supervisory Board
- (l) Royal Court
- (m) Law Officers

39. To approve the following Budgets for the year 2018:

- (a) Corporate Housing Programme
- (b) Solid Waste Trading Account

- (c) *Guernsey Registry*
- (d) *Ports*
- (e) *Guernsey Water*
- (f) *States Works*
- (g) *Guernsey Dairy*
- (h) *States Capital Investment Portfolio – Operating Costs*
- (i) *Superannuation Fund Administration*
- (j) *Committee for Employment & Social Security – Contributory Funds*

40. To note the Budget for the States of Alderney for 2018.

- 5 **The Bailiff:** Good morning, Members of the States of Deliberation. The debate will be opened by the Vice-President of the Policy & Resources Committee, Deputy Trott.

Deputy Trott: Thank you, sir.

- 10 This is not the first time that I have risen to present a Budget speech, but it was unexpected, when I arrived here, this morning! (*Laughter*) I can only assume that Deputy St Pier is dealing with an important matter to do with the current affairs that we are all aware of.

Sir, in the foreword to the Report, we set out the principles which guided our Committee's compilation of the 2018 Budget, as well as building on the theme of being responsible, fair, realistic and progressive, which was set out in the 2017 Budget Report.

- 15 This year, we have sought to balance the need to invest in our community's future, with the discipline required to maintain financial stability.

My Committee believes that the package of measures proposed is fair, innovative and confident and demonstrates the forward-planning necessary to underpin delivery of the States' Policy & Resource Plan.

- 20 Sir, I am not going to repeat all of our proposals within this speech, but I will give a high-level overview and some detail on a small number of key issues.

- 25 We have said that this Budget does not contain any surprises, apart from pleasant ones, which largely arise from income being higher than anticipated. It should not be a surprise that there are no surprises – it is less than six months since the Medium Term Financial Plan was approved by this Assembly, which set out a clear path to return to and maintain a balanced budget position and move into a sustainable surplus.

This will enable the re-building of reserves and ensure that the finances of the States can support the delivery of the outcomes set out in the Policy & Resource Plan.

- 30 We are undoubtedly reaping the benefits of the fiscal policies and financial discipline that has been applied over recent years; very clearly showing the real advantage of planning.

- 35 Balancing the Budget has only been possible in the recent past by the temporary measure of reducing the appropriation from general revenue to the Capital Reserve. This solution is acceptable as a short-term necessity but, in the long term, we must invest in our capital infrastructure. It is vital that we do not merely maintain and replace existing assets, but that we invest to enable transformation of how we deliver our services and, increasingly importantly, to facilitate and drive growth in our economy.

Therefore, we are particularly pleased that this Budget Report includes proposals to increase the 2017 appropriation to the Capital Reserve by £8.1million, to restore it to its full value.

May I pause, while Deputy St Pier is relevé?

40

The Bailiff: Do you wish to be relevé?

Deputy St Pier: Yes, please, sir.

45 **Deputy Trott:** Sir, shall we dispense with the normal protocol, here, and shall I pass Deputy St Pier his prepared speech? Would the Assembly find that acceptable?

The Bailiff: Would that be the wish of Members? (**Members:** Pour).
Anybody opposed. (**One Member:** Contre!)

50 Deputy St Pier will take over, in very unusual circumstances.

Deputy St Pier: Sir, I am most grateful to you and to the Assembly for their indulgence.
I do seek Members' and your forgiveness for being late.
Sir, before I continue with my speech, and thank you to Deputy Trott for beginning it –

55 **Deputy Trott:** It is very good! (*Laughter*)

Deputy St Pier: I know!

In accordance with Rule 17(15), as disclosed at footnote (l) on page 33 of the Budget Report, I
60 have a direct or special interest in Proposition 12, in that I will derive a financial advantage if it is approved as a Resolution.

In accordance with Rule 49, having declared my interest in the matter, I did withdraw from the Committee's meeting at which this matter was discussed and did not participate in either the Committee's discussion or decision.

65 I cannot therefore explain the Committee's rationale for its recommendation – but, no doubt Deputy Trott will do so when he speaks.

Having declared my interest, I am of course at liberty to support the Proposition. However, given that I will benefit from it, I would feel uncomfortable either doing so or abstaining. I would therefore ask, sir, for a separate vote on Proposition 12, in order that I may have the opportunity
70 to vote against it.

Sir, for 2018, an appropriation of £53.2 million is recommended. This is the amount necessary to achieve the Fiscal Policy Framework target of capital investment at 3% of GDP a year, after taking into account other transfers to the Capital Reserve.

75 These other transfers include, of course, capital income from the States' Trading Assets, which are being operated in an increasingly commercial manner, with the objective of providing a return to the States as shareholder, both through capital returns and ongoing dividends, without adversely impacting on customers.

These appropriations, together with the excellent investment returns that have been received recently, mean that in addition to fully funding the approved capital portfolio of £282 million;
80 routine capital projects of £46 million; and making allowance of £25 million for urgent and emergency projects – if you like, a capital budget reserve – there is an estimated £58 million remaining to contribute to the funding of the next capital portfolio.

The rebuilding of reserves also extends to the Core Investment Reserve where an appropriation of £5 million from the approved 2016 outturn is proposed.

85 Whilst it only nudges us slightly closer towards the target of that reserve having a full year's revenue income budget, it nevertheless adds further resilience to our overall financial strength – and contributes to ensuring sustainable public finances. It is also a symbolic, but important change in the direction of travel for our reserves, as it is the first such transfer in over a decade and we very much hope that it will be possible to recommend more in the coming years.

90 Turning to income-raising measures. Although largely revenue neutral, the changes proposed in respect of personal Income Tax allowances are a further significant step in making the system more progressive, raising more from those in our community most able to pay.

The additional revenue raised from the implementation of the second phase of the withdrawal of personal allowances for higher earners, has enabled another real-terms increase in the personal
95 Income Tax allowance. This will most help those on low to middle incomes.

Apart from retaining a nominal entitlement to a deduction for pension contributions, those earning higher incomes will progressively have their entitlement to all other personal tax allowances withdrawn – resulting in a tax system for those in this category, where '20 Means 20'.

In the interests of fairness, modernisation and non-discrimination, this Budget also includes proposals to freeze the additional age-related allowance for those over 65. As agreed in 2015, as part of the Personal Tax, Benefits and Pensions Review. Following that comprehensive review, it was accepted that the tax system is not the most suitable mechanism to assist those in most need. The benefits system is a much more appropriate means of targeting those individuals and families, as it can, of course, consider personal circumstances.

It is also wrong to think that those over a certain age, be it 65 or 70, are those most needing additional support – either due to lower incomes or higher expenditure. It is an inconvenient truth, but analysis of the data shows that it is single people of any age and hard-working families who are most likely to be those in need.

However, there will be more opportunity to discuss the merits of our proposals when considering the amendment to be laid by Deputy Roffey.

In respect of the duty on motor fuel, the increase proposed has been calculated to maintain the real value of the total revenue currently received from this source, taking into account the continuing decline – at about 2%-3% a year – in the volume of fuel consumption.

We absolutely recognise that this is not a sustainable methodology and, in the longer-term, the revenue raised from duty on motor fuel will need to be fully or partially replaced by revenue from other sources.

The Committee will be working in partnership with the Committee for the Environment & Infrastructure, to carry out the necessary work to be able to report back to the States with proposals on how to achieve the maximum sustainability for revenues from motoring, as set out in the Resolution from the Medium Term Financial Plan.

In addition, the Policy & Resources Committee looks forward to contributing to the revised energy policy being developed by the Committee for the Environment & Infrastructure – for which funding is allocated in this Budget – which will need to look more broadly at the taxation and sustainability of fuel.

Before I move away from revenue-raising matters, I am very pleased to be able to confirm that Royal Sanction, finally, has been received for the legislation for the new Document Duty regime. The new rules are set to come into force on 15th November. This will ensure that sales of interests in entities that own real property in Guernsey will pay duty at the same rate as for standard conveyances.

This Budget Report includes a recommendation for the States to approve the prioritisation of 23 policies to deliver the outcomes detailed in the Policy & Resource Plan – Future Guernsey. The financial resources necessary to progress these work streams have been assessed and, where additional resources are required, the source of the necessary funding has been identified or allocated – including, for example, in respect of the policies in wide-ranging areas such as: economic development; Brexit; future provision of health and social care; and energy policy.

There are three particular funding arrangements I wish to highlight.

Firstly, delivery of individual policies is often not the sole responsibility of one Committee - and consequently the necessary funding does not sit neatly within an individual Committee's budget. For example, implementation of the Children and Young People's Plan spans the Committees for Education, Sport & Culture; Health & Social Care; Home Affairs; and the Policy & Resources Committee. Therefore, in order to optimise the delivery of policy outcomes, it will become increasingly necessary for existing budgets of individual components of these policies, to be pooled, in order to create a more comprehensive, policy focussed – rather than committee-focussed – set of budgets, which can be used in the most efficient and effective manner.

Secondly, we are very pleased that there has been an innovative funding model developed for the establishment and operation of the Bailiwick Health and Wellbeing Trust, which will be used as

the vehicle for the delivery of the Healthy Weight Strategy – a clear and high priority in delivering on the health and wellbeing policy.

150 In addition to funding and other resources provided from within existing budgets, the Policy & Resources Committee is intending to use its delegated authority to provide up to a further £250,000 in each of 2018 and 2019 in order to match funding secured from external sources.

155 Thirdly, we are committed to the establishment of a Social Investment Commission as a vehicle to act as an enabler and funder of social investment projects. In order to provide funding for the work of this commission, the Committee will work to unlock funds that might currently be out of reach, but which could be used for public benefit including, for example, balances held in dormant bank accounts and by H.M. Receiver-General.

160 One of the key initiatives associated with delivery of social welfare policy, is the implementation of the recommendations of the Social Welfare Benefits Investigation Committee. We are pleased that our Committee has sufficient confidence in the financial position of the States, to be able to recommend allocation of funding to enable the introduction of the new Income Support Scheme from July 2018.

165 This is a significant development in social welfare provision in Guernsey, costing £2.5 million for six months in 2018, rising to some £4.4 million in 2019. It will ensure that those members of our community with the lowest incomes – some of those identified in the Scrutiny Management Committee's interim report last week on in-work poverty – will have those incomes increased to the minimum levels recommended by the Social Welfare Benefits Investigation Committee and approved by this Assembly.

These income top-ups and access to assistance with medical and other related benefits will make real improvements to the lives of those individuals and families.

170 The delivery of expenditure reductions are fundamental to the sustainability of the States' financial position – and as a source of funding for initiatives such as the introduction of the Income Support Scheme. That is why further budget reductions have been agreed for 2018.

175 However, as is well known, the Committee for Education, Sport & Culture has, over an extended period, experienced difficulties in the delivery of the budget reductions it has been allocated by this Assembly.

Whilst there is no doubt – as the Committee themselves recognise – that there are initiatives which have the potential to generate substantial budget reductions in the longer term, without leading to service cuts, there is a lack of impetus and capacity to put in place a clear plan and timescale for their evaluation and implementation.

180 In order to address this issue, my Committee is proposing that an oversight group is formed, to oversee the development of initiatives and the delivery of budget reductions – and I am pleased to say that the first meeting of this group is already in the diary. We are grateful to the Committee for Education, Sport & Culture for their support for this proposed approach to assist them in delivering transformation.

185 It is inevitable that, given the lack of current plans, there will be delays in the delivery of those savings. We are, therefore, recommending that the Policy & Resources Committee is able to increase the Committee for Education, Sport & Culture's 2018 budget, by the value of savings from projects initiated in 2018, but not due to deliver benefits until 2019-2021, following consideration by the oversight group.

190 Sir, I would like to take this opportunity to thank all those across the States and particularly the staff in the Treasury, who each year put the Budget together to a very tight timeframe.

Finally, I would like to take this opportunity to thank the members of my own Committee for their support, hard work, guidance and good humour throughout the last 12 months, without which my job would be considerably harder, if not impossible.

195 Sir, we believe that the Budget Report being considered today is fair, innovative and confident. It is balanced, it fully funds our capital needs and it starts to rebuild our reserves and we commend it to this Assembly. *(Applause)*

The Bailiff: Members, there are six amendments, which have been circulated. Three of them are proposed by Deputy St Pier and seconded by Deputy Trott.

The normal convention would be to take those first. Would that be your wish, Deputy St Pier? (**Deputy St Pier:** Yes, please, sir.) And do you have a view as to which order we take those in?

Deputy St Pier: I propose taking them in reverse order.

The Bailiff: In that case, we will take first amendment 6, the one that was circulated today. Greffier, perhaps if you could read that?

The Deputy Greffier read out the amendment.

The Bailiff: Deputy St Pier.

Amendment 6.

The States are asked:

To delete proposition 37 and substitute with the following;

'37. To approve the revised Rules for Payments to States Members, Non-States' Members and Former States; Members attached as Appendix II to this Report subject to the insertion, in column 1 of the tables (printed at pages 95 and 96 of Billet XX), in the second entry, immediately after the words "President of the Scrutiny Management Committee", of ", President of the States' Assembly & Constitution Committee".'

Deputy St Pier: Thank you very much, sir, and this is to be seconded by Deputy Trott.

As the explanatory note says, this is a technical amendment and I must apologise to the Assembly. As I indicated in my opening speech, the Budget every year has very tight deadlines; there are, unfortunately, always at least one or two typos in the document, which are often picked up quite late. This is one such error, which was picked up, for which I must apologise on behalf of my Committee to the Assembly.

This merely does correct an inadvertent omission from the tables and does implement the previous decisions of the States and also does ensure consistency with the rest of the rules, which are set out – the reference there, sir, in the explanatory note – to paragraph 3.5 of page 97 of the Billet.

It is a very straight-forward technical amendment, the necessity for which I apologise.

The Bailiff: Deputy Trott, do you second the amendment?

Deputy Trott: I do sir and probably do not need to reserve my right to speak.

The Bailiff: Is there any debate? No.

We go straight to the vote, then, on the amendment. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried. Next, amendment 5.

Would you like that amendment to be read, Deputy St Pier?

Deputy St Pier: Perhaps, for the benefit of those outside, sir, yes.

The Deputy Greffier read out the amendment.

The Bailiff: Deputy St Pier.

Amendment 5.

The States are asked:

To delete proposition 22 and substitute with the following;

'22. To direct the Policy & Resources Committee with the Committee for Employment & Social Security to investigate the advantages and disadvantages of integrating the compilation, presentation and debate by the States of all General Revenue income and expenditure, including non-contributory benefits within a single Report and, following dialogue with the States' Assembly & Constitution Committee on any changes to the rules of procedure, to report back with any recommendations to the States no later than October 2018.'

240 **Deputy St Pier:** Thank you, sir, and this also is to be seconded by Deputy Trott.

I am grateful to the President of the Committee for Employment & Social Security for engaging with us on this particular amendment. This reflected some concerns which she and her Committee had in relation to the Proposition that appears in the Budget Report.

245 So this provides for consideration to be given, over the next 12 months or so, with that Committee, but also working with the States' Assembly and Constitution Committee, for any necessary changes in the Rules.

250 Just to explain the background to this. We feel there is a substantial part of Social Security's Uprating Report, which actually relates to general revenue. Nearly 15% of our general revenue budget is dealt with in the Uprating Report, so, in other words, falls outside both the Budget Report and the Budget debate.

We think it would be more logical to try and keep the general revenues in one location and the contributory items in another.

255 However, that does present some very real challenges; not least, in terms of how it will be presented to the States, given the fact that, effectively, it would be two Committees doing so and, indeed, how it would be debated.

So there is much to discuss, but this amendment is a way by which we believe the two, or even three, Committees can work to achieve that objective and, if appropriate, bring further recommendations to the States in due course, if further change is recommended.

260 **The Bailiff:** Deputy Trott, do you second the amendment?

Deputy Trott: I do, sir, thank you.

265 **The Bailiff:** Deputy Brehaut, do you wish to be relevéd?

Deputy Brehaut: Yes, please. Thank you sir?

The Bailiff: And, Deputy Yerby, you wish to be relevéd?

270 **Deputy Yerby:** Yes, please, sir.

The Bailiff: Thank you, very much.

275 Is there any debate on this amendment? No. Again we go straight to the vote. Those in favour; those against.

Members voted pour.

The Bailiff: I declare it carried.

Amendment 4, again, do you wish that to be read for the benefit of those who are listening,
280 Deputy St Pier?

Deputy St Pier: Yes, sir.

The Deputy Greffier read out the amendment.

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

Amendment 4.

The States are asked:

To delete proposition 17 and substitute with the following;

'17. To approve the draft Ordinance entitled "The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2017" and to direct that the same shall have effect as an Ordinance of the States subject to the insertion in Table A, "Guernsey Land" (printed at page 87 of Billet XX), in column 3 of the entry entitled "L1.11.2 - Office and ancillary accommodation (legal services)", of the figure "£1.32".'

Deputy St Pier: Thank you, sir, also to be seconded by Deputy Trott.

290 This is the second of the omissions, typographical errors, in the Report, for which, again, I apologise. This relates to the change proposed in relation to TRP for legal service providers. Generally, they provide those from offices, however, some of those businesses will have a small amount of land associated to them.

Again, there was an omission, the £1.32, which is the same category as for the offices, had been omitted. In revenue terms, it is insignificant. However, for consistency, it is, we suggest,
295 necessary to ensure that the table is properly populated.

Once again, sir, I do apologise to the Assembly for the error in the Report.

The Bailiff: Deputy Trott.

300 **Deputy Trott:** Formally second, sir.
Thank you.

The Bailiff: Any debate? No.

We vote, then, on amendment 4. Those in favour; those against.

305 *Members voted Pour.*

The Bailiff: I declare it carried.

As for the remaining amendments, do you have any preference? (**Deputy St Pier:** Two.) We
310 will take amendment 2 next. Greffier.

The Deputy Greffier read out the amendment.

The Bailiff: Deputy Soulsby, the proposer, will open the debate.
Deputy Soulsby.

Amendment 2.

The States are asked:

To delete proposition 3. and substitute with the following;

'3. To note that some policy priorities may benefit from pooled budgets, created by reallocating Committees' budgets; and to note that the Policy & Resources Committee is able at any time to

submit Propositions to the States to create such pooled budgets; and to direct that in the 2018 Policy & Resource Plan report on progress, or sooner if desirable, the Policy & Resources Committee shall make proposals for the use of a pooled budget and the governance thereof in relation to the Children & Young People's Plan.'

315 **Deputy Soulsby:** Sir, I think it is important to understand what this amendment is not about. It is not about a lack of trust, it is not about either Deputy Le Clerc or myself objecting to the principle of pooled budgets and it is not about slowing things down.

What this amendment is about is ensuring proper governance, that the concept of pooled budgets is clearly understood and that a proper mechanism to establish, monitor and approve
320 those budgets is put in place.

Whilst Deputy Le Clerc and myself understand the reasoning behind Proposition 3, we believe it is a sledgehammer to crack a nut and needs refinement for two principal reasons. Firstly, as we found when we were putting this amendment together, there is a lack of understanding of what, precisely, a pooled budget is, and how it will operate. As the Proposition stands, I believe, if
325 approved, we will be agreeing to something we do not really know what we are agreeing to and then the sum will be put into another pot.

Secondly, and more fundamentally, the Proposition runs roughshod, somewhat, over our political system, by allowing a Committee to take away from the budget of another any amount it thinks fit, potentially without its approval.

330 It is our belief that pooled budgets, as with Committee budgets, should be approved by this Assembly.

Therefore, what we are proposing is that Policy & Resources work to establish the appropriate mechanism and resourcing required for approval by this Assembly. We believe that this should focus on the Children and Young People's Plan, where we do see there will be merit in considering
335 a pooled budget, given its cross-committee nature, as just earlier described by the President of Policy & Resources.

I can advise that the Committee for Health & Social Care will be willing to assist Policy & Resources in this regard. As I say, we understand what the Policy & Resources Committee want to do, just not the way it has proposed going about it.

340 Therefore, I ask Members to support this amendment to ensure good governance and timely progress to be made.

The Bailiff: Deputy Le Clerc, do you formally second the amendment?

345 **Deputy Le Clerc:** Yes, I do, sir.

The Bailiff: Deputy St Pier, do you wish to speak on it at this stage?

Deputy St Pier: Sir, I think it would be beneficial to do so, sir, to indicate the Committee do
350 intend to support this amendment, sir.

Again, I am grateful to the President of the Committee for Health & Social Care and the President of the Committee for Employment & Social Security, for engaging with us, in relation to their concerns on this.

The view of the Policy & Resources Committee was that pooled budgets, by definition, are going to be testing for the States in seeking to agree what needs to be taken out of an existing
355 budget-holder to go into another location.

Therefore, actually, somebody ultimately needs to be able to arbitrate and make the decision, which was, in essence, the proposal that P&R had put, that it had the delegated authority to break those logjams if and when they occur.

360 As I said in my opening speech, we do anticipate the increasing need for pooled budgets as a methodology for delivering the outcomes that we have all agreed in the Policy & Resource Plan.

However, we do, absolutely, recognise the concerns which the Committees have. We see this as being a sensible, incremental change, that will allow everyone to become more comfortable with, perhaps, a different way of working and it does retain control here, in the Assembly.

365 We are also content to limit it just to the Children and Young People's Plan, on the basis that that is, if you like, the most pressing on which some decisions are likely to be required. So, we have not necessarily abandoned our thinking in relation to what may, eventually, be necessary, but we are very content to accept this amendment as a sensible, incremental step and we will bring further recommendations to the States once we have seen how this has worked in practice.

370 In the meantime, I would just like to express my thanks, once again, for the other Committees' engagement and to re-affirm our support for this amendment, sir.

The Bailiff: Deputy Fallaize.

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

I just want to explain, briefly, what I think the problem is with Proposition 3, which I would like Deputy St Pier's Committee to reflect on when they come back with some proposals in the future. Presumably, they will try and develop the concept of pooled budgets further. I think the problem with it is not at all the concept of pooled budgets, as Deputy Soulsby has said, and it is not even the delegation of authority to create the pooled budget.

380 The problem is the words in between the two commas in Proposition 3, which, in effect, would have given P&R the authority to reallocate Committees' budgets which had already been approved by the States.

385 So we could have had a situation, for example, where P&R propose a budget for Committee x of £20 million and Committee x lays an amendment saying, 'No, we believe we need £21 million.' It is debated by the States and the States resolve to give the Committee £20.5 million, to split the difference; and the next day, P&R says, 'Actually we are going to take £0.5 million away from that Committee and we are going to stick it into a pooled budget, which we have control of, as P&R.'

390 Now, I do not know quite how the Proposition has ended up being worded in that way, but if it had succeeded in its original form, that would have been the effect. It would have meant that the Policy & Resources Committee could have disregarded, under delegated authority, any decision made by the States in relation to Committees' budgets.

395 Clearly, we cannot have that, so I think this is an essential amendment. But I do not want the impression to be created that the amendment is in any way resistant to the concept of pooled budgets, or indeed to the concept of the Policy & Resources Committee having quite extensive delegated authority over pooled budgets.

In fact, there are other Propositions in this Budget, which seek to give Policy & Resources extensions to delegated authority which are not, in any way, being challenged, as far as I am aware.

400 I just think it is important to put that on record and I hope that, when P&R come back with future Propositions, they will respect the principle that, if the States have voted to establish a Committee's budget, it cannot very well be taken away at a later date by P&R, without further reference to the States.

405 **The Bailiff:** Deputy Gollop.

Deputy Gollop: Sir, when Deputy Soulsby and Deputy Le Clerc and other Members and officers who are skilled in banking or accounting start to talk about budgets, I get a bit glazed and a bit muddled, on occasion.

410 Presumably, the existing situation, without this amendment, would mean that in a pooled budget situation, let us say there was a joint enterprise between Employment & Social Security, Health and Home Affairs, one of the Committees would be delegated to approve the budget and might apportion it in a way that was not so good for the others, because there was an overspend.

415 In that sense, this is clearly a reform, but of course it will mean that the States, as a whole, as an executive Assembly, will have a little bit more work to do to survey these things and approve them.

I think, on the balance of probabilities, given the need for openness and to make the system of silo Principal Committees work more than was perhaps implied during the creation of the system, I would support this amendment.

420 But I just wonder how, in practice, it would go if we did not have the amendment in play.

The Bailiff: I see no one else rising. Deputy Soulsby will reply.

Deputy Soulsby: Yes, sir.

425 Just three comments and I thank the Policy & Resources President for the comments he has made and the support for the amendment. I thank Deputy Fallaize for his analysis, which sums it up very well. Deputy Gollop, I think that is the whole point, we do not know what would happen under Proposition 3 and we want to get more certainty.

That is why I ask Members to approve this amendment.

430

The Bailiff: We vote, then, on amendment 2. Those in favour; those against.

Members voted Pour.

435 **The Bailiff:** I declare it carried.

Next, we will have amendment 3, to be proposed by Deputy de Lisle and seconded by Deputy Paint.

Deputy de Lisle, would you like the Greffier to read the amendment?

440 **Deputy de Lisle:** Thank you, sir.

I think I would draw attention of Members to the explanatory note, sir.

The Bailiff: Would you like the amendment to be read?

445 **Deputy de Lisle:** Yes, thank you.

The Bailiff: Or just the explanatory note?

Deputy de Lisle: I think the explanatory note is sufficient, sir.

450

The Bailiff: Well, I think the Greffier either reads the amendment itself or he does not.

If you wish to read the explanatory note, you can incorporate that in your speech. If you do not wish to have the amendment read, then it will not be read.

455 **Deputy de Lisle:** It can be read, sir, yes.

The Deputy Greffier read out the amendment.

The Bailiff: Deputy de Lisle.

Amendment 3

The States are asked:

1. For proposition 19 to substitute the following proposition:

'19. To approve the cash limits for ordinary revenue expenditure for 2018 totalling £368.58 million as set out in paragraph 6.21 of the Report, subject to the substitution of the table set out at paragraph 6.21 (page 47 of Billet XX) with the table set out below.

	Note	2018 Revenue Cash Limit £'000s
Policy & Resources:	1	
Corporate Services		26,165
Core and Other Services		9,345
		35,510
Economic Development	2	6,235
Education, Sport & Culture		73,700
Timing of delivery of FTP		225
Benefits		73,925
Employment & Social Security	3	10,870
Environment & Infrastructure	4	11,975
Health & Social Care	5	115,450
Home Affairs	6	29,825
Scrutiny Management	7	547
Development & Planning		1,340
Overseas Aid & Development	8	2,960
States' Trading Supervisory		1,490
Royal Court	9	2,535
Law Officers		4,475
States of Alderney		1,840
TOTAL NON-FORMULA LED		298,977
Policy & Resources – Formula		1,900
Led		
Employment & Social Security		
Formula Led	3	56,020
TOTAL FORMULA LED		57,920
BUDGET RESERVE		11,683
		368,580

2. To delete proposition 23.

460 **Deputy de Lisle:** Thank you, sir.

I draw Members' attention to the explanatory note, sir, where it indicates that the purpose of the amendment is to remove funding for the Income Support Scheme, which is essentially the merger of Supplementary Benefit and the Rent Rebate Scheme.

465 The Budget call is for an additional funding by the taxpayer of £2.5 million in 2018, the half-year from July, and then the anticipated £4.4 million added cost to taxpayers in 2019, recurring year on year, from then on.

This is an addition to approximately £35 million that taxpayers are spending annually on Supplementary Benefit and the Rent Rebate Scheme, presently.

The purpose of the amendment is to remove funding for the introduction, from July 2018, of the new Income Support Scheme, which has an anticipated net additional cost to the taxpayer of £2.5 million.

That is for merging these two programmes – Supplementary Benefit and Rent Rebate – which, to my mind, is costly, totally unaffordable and unsustainable.

The Committee also wants to take on 4.5 additional civil servants to run the benefits merger and there will be losers. It is estimated 700 families will receive less than now. It will move approximately 930 social housing tenants into the ambit of the Supplementary Benefit system, adding to the 868 social housing tenants already covered by the system.

Under the scheme, some low-earners in private rental accommodation would be helped, but most people in social housing, States' houses and housing association accommodation would be worse off. The proposals would also cost the taxpayer an extra £4.5 million, way up from previous estimates of £2.9 million and £3.3 million that the Committee were supposed to cut back on.

In future, under this Income Support Scheme, nearly everybody in Guernsey's social housing estates would be on Supplementary Benefit. If their earnings increased, the benefit would simply come straight off their Supplementary Benefit, with no advantages to them, a big disincentive to any self-betterment. By contrast, the current rent rebate system only takes a proportion of any increased earnings, enabling many to wean themselves off support altogether.

The rationale for unifying Rent Rebate and Supplementary Benefit, according to the Committee, is that the Rent Rebate Scheme, in effect, is a financial, social welfare benefit, which runs in parallel with Supplementary Benefit, but less visibly.

Others see it differently. Ex-Deputy Le Lièvre made the point to me, in a previous debate in this Assembly. When I coupled the cost of the two schemes together, Supplementary Benefit and housing Rent Rebate, he pointed out that the cost of Rent Rebate and Supplementary Benefit are two different things. Supplementary Benefit, he said, is a cash expenditure, a real draw on general revenue. The cost of the Rent Rebate Scheme, in fact, is income foregone, and that is not a cash cost to the States. He maintained they are very different things.

By merging the two programmes, we are making it a cost to the States and the taxpayer. States' policy has to be credible and accountable to the taxpayer. This is more cost, year on year, to a taxpayer already over-burdened, and for no gain. In fact, taking away the housing rebate scheme and putting people on Income Support benefit undermines efforts many are making to wean themselves and their families off welfare.

There is a lot of negativity over the SWBIC proposals, from social housing tenants. Many are alarmed over the intention to abolish Rent Rebate, discounted rents, to be replaced by market rents.

Housing tenants will be forced to go on Supplementary Benefit/Income Support, in order to pay the market rents. Putting more households on Supplementary Benefit/Income Support is an added drain on the taxpayer, as more can claim Supplementary/Income Support and, of course, medical expenses, Winter Fuel Allowances, and so on. The merger of these two programmes institutionalises social welfare on a grander scale.

I ask, where are the numbers and justification in the Budget Report to support adding £2.5 million in 2018, and subsequently would lead to £4.5 million a year to the welfare bill? How can you, Deputies and others, agree to another £4.5 million, on top of the £35 million of spending already on these two welfare support programmes, without full justification in the Budget?

Of the 1,922 tenants of social housing, 125 are charged full rent, 1,797 are charged a rebated rent, of which 868 are also assisted by Supplementary Benefit. Now, the other 929 are to be put on Income Support Supplementary Benefit.

So my point being welfare reform should mean slimming the state, boosting growth, reducing benefit claimants, cutting the welfare bill and making people and families more self-reliant, proud and self-sufficient.

520 Placing all on Income Support/Supplementary, if you like, is nothing but increasing the dependency culture, creating a huge welfare state, locally; making even the welfare state in the UK look slim and more self-reliant.

Remaining competitive as a jurisdiction is extremely important to this Island and social costs are important, within this framework. I would hope to see substantial savings from any merger of two schemes, costing now, in the order of £35 million. Certainly not costing the taxpayer
525 £4.5 million more and hiring four to five more staff.

I call on Members of the Assembly to support the amendment.

Thank you, sir.

530 **The Bailiff:** Deputy Paint, do you formally second the amendment?

Deputy Paint: I do, sir.

The Bailiff: Deputy St Pier, do you wish to speak on it, at this stage?

535 **Deputy St Pier:** I do not, sir.

The Bailiff: No.

Deputy Roffey.

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

I think this is the only one of the six amendments that the States should be rejecting. We will come on to more about the sixth one in a moment.

I have a number of reasons for wanting to reject this. Probably the most fundamental is the same reason why I was happy that we had a Policy & Resources Committee, because I felt that
545 policy should be followed by resources, to make it happen.

We discussed, not long ago, the Medium Term Financial Plan. There was a section in there on future service developments and one of the ones that was flagged up as absolutely next in line was the implantation of SWBIC.

We did not reject that. We passed that. We decided it would be an early, new service
550 development – one of the first we have had for years. Now, we are being asked for the resources to go with it. I think it would be illogical to have passed that development and then not to resource it.

I am also against this amendment because I think SWBIC is a good thing. But I do not think it is universally a good thing. I actually think some of the points raised by Deputy de Lisle have validity.

555 I am disappointed about the extra staffing requirement and I would like to ask Deputy Le Clerc to expand upon the rationale why it needs so many more staff when she sums up, or when she speaks at some stage on this amendment, as I presume she will.

I do worry about cliff edges as well. I do understand – even though they should not, and it is an old fashioned, outdated attitude – why some people who are not currently in the formal
560 welfare system – but, let us be honest, rent rebates is a form of welfare, whether they like it or not – do not want to do that. I understand the resistance.

With my hat on from Scrutiny, I have just been looking at in-work poverty; there will be some people who are working now and struggling to meet all of their expenses who will, as a result of this merger, be worse off than they are at the moment. But, more of them will be better off. But
565 some of them will be worse off and that is a difficult thing to swallow. I can understand, from people who have not needed to register on a regular basis, almost with their weekly income, to have to start doing so will seem like an imposition. All of that said, I actually think that the net gains here are a lot higher than the net downsides.

570 Deputy de Lisle pointed out that people who are currently getting rent rebates, and I have to say, if we have got a market rent and we are taking less for them, that is the same financial impact

as charging everybody the market rent and then giving them some money towards here, so I am not sure where he, or – allegedly – former Deputy Le Lièvre were coming from that, but one of the downsides, he said, was they would qualify for other things, like medical benefits.

575 This has perhaps flown under the radar slightly, as far as this whole SWBIC thing is concerned. People are not realising that there will be a very large, new tranche of people who will, because they have become recipients of Income Support, also eligible for medical benefits and because they are so important to people on low incomes, I see that as a major gain. However, if is not enough in itself.

580 Deputy St Pier, in another context, summing up early on, said, actually this is a matter for the welfare system. I do not think what he was talking about is a matter for a welfare system and nor do I think the medical costs alone can be picked up by the welfare system alone, because there are always people who either would be eligible for benefits, but choose not to claim them – for very old-fashioned reasons – or for people who are just above that cliff edge who will need assistance.

585 I do not want to broaden this debate too far, but I look forward, with keen anticipation, to what Health & Social Care are going to come out with, apparently, in the near future.

The fact is, though, coming back to what we have before, the current situation is deeply unfair. People who are living in States' houses and getting rent rebates are being treated very differently to people on equally low incomes, living in the private sector and in receipt of Supplementary
590 Benefit at the moment, Income Support going forward.

That has to be addressed. It is as simple as that. We cannot justify running two systems that treat two people in totally the same circumstances utterly differently, depending on who their landlord happens to be.

So I urge all to reject this amendment.

595

The Bailiff: Deputy Stephens.

Deputy Stephens: Thank you, sir.

600 I support Employment & Social Security's intentions regarding SWBIC. I agree with previous speakers that there are some negatives, but I would like to concentrate on the positive aspects and, in doing, explain why I give this my support.

First of all, as we have heard, it draws together two schemes into a single system of support that will ensure that all low-income households in Guernsey and Alderney can access financial support in a fair and consistent way.

605 To me, it is a good and reasonable adjustment to our benefits provision. It means that there is greater parity of treatment for those who rent in the private sector and those living in social housing. To me, that is a good thing.

The new system will treat everyone under one set of rules and it will provide help with rent and living expenses to households on a low income.

610 What really attracts me to this is that it will be of benefit to children and to the community, through the relief of family financial stress and, as I have said, it will support low-income households in a fair and consistent way.

615 It fits with the intentions articulated in the P&R Plan to have an inclusive community and to monitor, understand and reduce poverty and income inequality in Guernsey. What I also like about it is it will be sensitive to future conditions and it is adjustable and, as part of the P&R Committee, for a long period, I have been in conversation with ESS about this and I understand the reasons that they want to do it.

So I do encourage Members to reject the amendment.

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

Deputy Lester Queripel: Sir, I thought Deputy Roffey made an excellent speech, earlier. I did not agree with a single word of it, but it was an excellent speech, I thought!

625 Deputy de Lisle, Deputy Paint and I were the only three Members of the previous Assembly to speak and vote against the proposals for Income Support. We did that because we were not at all convinced that they were going to be the panacea to all of our ills that the vast majority of the previous Assembly thought they were going to be. But we were not convinced then and we are certainly not convinced now. Especially since the costs just keep increasing.

So the Three Musketeers ride again, sir. All for one and one for all, and all that.

630 I am right alongside the two of them on this issue, once again. All we have to do now is encourage the majority of this Assembly to vote in favour of this amendment. But, even if we are the only three Members of this Assembly to vote in favour of the amendment, our collective conscience will be clear.

I said earlier that the costs keep on increasing and those estimated costs have increased considerably, now to £4.3 million, while Deputy de Lisle said £4.5 million, it was stated earlier that it was going to be £4.4 million. However, it is still an incredible amount of money.

Bear in mind that these are annual costs, for once this scheme is in, it is in for good, we cannot just turn the tap off further down the line.

My understanding is that several hundred of our fellow Islanders will benefit from this scheme. 640 The figures on page 1961 of the Income Support Scheme Report told us that 739 of our fellow Islanders would be disadvantaged if this scheme was introduced – 268 private sector tenants and 471 social housing tenants. I am not at all comfortable with that.

The reason I wanted to be a Deputy in the first place was to try and give my fellow Islanders an advantage, not disadvantage any of them in any way. Especially, since we attest to aspire to an inclusive society. 645

Of course, as we all know, disadvantaging our fellow Islanders flies in the face of the number one objective of the P&R Plan, which, as we know, is for Guernsey to be one of the healthiest and happiest places in the world by 2020. Well, we are not going to do that if we disadvantage fellow Islanders.

650 The previous Assembly flew in the face of the number one objective of the States' Strategic Plan, which was to improve the quality of life of Islanders. So the vast majority of the previous Assembly said they resonated with that number one objective but went against that approach, come the time to vote. So, will this Assembly now do the same regarding the objective of the P&R Plan? To say we are totally behind that number one objective and then vote in such a way is to jeopardise that. I certainly hope not, because surely that will then be viewed by many members of our community to be hypocrisy? You tell us you are going to do one thing and then you do another. 655

The question that is often asked by parents living in social housing – Deputy de Lisle has already alluded to this in his opening speech – is: When will our children have the chance to better themselves? The parents of children living in social housing have enough of a struggle on their hands already, and if the Income Support Scheme is introduced it will really finish them off. 660

If any of my colleagues think I am exaggerating, I will draw their attention to a comment made in the *Press* yesterday by Mr Jim Roberts, who is now heading up the Guernsey Community Foundation, but for many years, until earlier this year, was the head of social housing here in the Island. In the article, Mr Roberts was talking about the report on in-work poverty, being undertaken by our Scrutiny Management Committee, with Deputy Roffey and his team doing an excellent job on that one. 665

But in the *Press* article Mr Roberts made reference to the scheme and this is what he said – and bear in mind he is now the head of the Guernsey Community Foundation, doing excellent work out in the community; Mr Roberts said this: 670

We are conscious that the changes to the benefit system will create more in-work poverty, as social housing tenants find that the Income Support Scheme does not fully compensate them for the loss of their Rent Rebate.

And, if you will allow me, I just want to repeat that. Mr Roberts said:

'We are conscious that the changes to the benefit system will create more in-work poverty, as social housing tenants find that the Income Support Scheme does not fully compensate them for the loss of their Rent Rebate.

Surely, we need to take on board the views of the person who was, until recently, the head of social housing in Guernsey? A person who has worked in and with the system and he can see major social problems occurring in the future if this Income Support Scheme is introduced.

675 The States spends hundreds of thousands, if not millions, of pounds on consultants. Why, is beyond me. But we do not have to in this situation, because, a person who has all the knowledge and the expertise has given us his opinion for nothing. Surely, we really do need to take what he said extremely seriously, indeed, and not just discount and discard it?

680 We all know how these things work. To vote in favour of a Proposition is not a vote in favour of a direction of travel, it is a vote in favour of the scheme itself. Anyone who votes in favour of the funding for the scheme will have a difficult job trying to justify that decision, should they change their mind, come the time for the debate for introducing Income Support in 2018. Why would anyone want to put themselves in that position, when it could be avoided by voting in favour of this amendment today?

685 As Deputy de Lisle has already mentioned in his opening speech, more staff will need to be employed to administer the scheme. That is at a time when we promised the community we would try and bring the cost of Government under control. We are being asked to sanction employ more civil servants to run a scheme that is going to cost £4 million a year.

690 My colleagues really do need to know the history about all this and the ramifications of not supporting this amendment. With all that in mind, I ask my colleagues to ask themselves a question I have asked on several occasions but never once received a satisfactory answer to the question. My question is this: what are the tens of thousands of Islanders who are not advantaged by this Income Support Scheme going to get for the £4 million worth of their money that will be paid out year, after year, after year, after year if this scheme goes ahead? What are they going to
695 get for their money? I only hope somebody can answer that question in this debate, sir, because I have asked it several times and I am still waiting to hear a satisfactory answer.

I will close by saying that we often hear it said in this Chamber that we need to be fully informed on every issue when we come to vote, so my message to colleagues who do not feel fully informed is please, at least, give serious consideration to supporting this amendment.

700 Thank you, sir.

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

705 My message to colleagues who do not feel fully informed is to inform themselves, not to vote for this amendment.

I think Deputy Roffey said that Deputy de Lisle made some good points in his speech and I agree. He, in many ways, delivered quite an interesting speech, but unfortunately most of it was factually incorrect. For example, he said: 'Most people in social housing would be worse off as a
710 result of these reforms.'

This is just completely untrue. Some people in social housing will be worse off. Most people in social housing will be better off. I do not understand where Deputy de Lisle got his figures to support his claim that most people – that is the majority – would be worse off, because it is wrong. I think he ought to correct that when he replies to debate.

715 He also said people in social housing will be forced onto Supplementary Benefit, to pay market rents. That is also completely untrue. He is confusing the existing Rent Rebate Scheme with the process of setting social housing rent. I think he ought to correct that when he replies.

He might also withdraw a comment, which he made not once but twice, that people should be trying to 'wean themselves off welfare'. I think that imagery is totally unreasonable, and Deputy de

Lisle knows that, as well, because he used the same phrase when he laid a *sursis* on the SWBIC proposals in March 2016 and he was asked to withdraw the comment then – and he did, apologising if any offence had been caused. I think the offence that was caused then has been caused again now.

It is inappropriate to talk about people ‘weaning themselves off welfare’, as if they were babies, but I think the most objectionable phrase that he used was that he said that the proposals – which have already, incidentally, been approved in principle, we are meant to be debating a Budget which merely responds to the policy decisions already made by the States, but nevertheless Deputy de Lisle has turned this debate into another debate about welfare reform – he said that we would be incurring additional cost for no gain.

This is an extraordinary statement, even for someone who does not support the proposals. The idea that there would be no gain generated by the Income Support reforms is nonsense. There will be hundreds, indeed thousands of people better off as a result of the reforms. He may feel that people who, at the moment, cannot afford to access primary care, having their primary care bills paid, is no gain. I do not agree with him, I think that is a significant gain.

He may feel – and we are talking about the poorest people in Guernsey for whom, as a former colleague of ours used to say, there is too much month left at the end of the money – that directing additional financial support to those people could be described as no gain. Well, I do not. I do not think most of the States will either.

We have to remember the basis upon which these reforms were agreed. We are not talking, here, about particularly generous reforms to social welfare. The reason the reforms were proposed was in response to a series of studies which identified that people in Guernsey, relatively large numbers of people in Guernsey, were living in conditions which would be considered intolerable.

Those are not my words, these are words agreed by the States. Deputy de Lisle needs only to refer to the Policy & Resource Plan, agreed by the States earlier this year, to find commentary on the conditions which these reforms are trying their best to alleviate.

Now, Deputy Lester Queripel says these reforms are no panacea. He is correct. But that is no reason not to support them.

Deputy de Lisle must know, because he was in the last States which debated this at length, for example, the short-term rates – which are part of the package which he is now railing against and is saying that it is too generous – I cannot remember off the top of my head, and I should have looked it up before speaking, I cannot remember exactly what the short-term rate is, but it is very much lower than the current short-term rate.

Deputy de Lisle is describing this package as too generous and too expensive. The problem is – and Deputy Lester Queripel repeated this, I will be generous to them and call it an inadvertent error – they repeat two criticisms endlessly. They say some people will be worse off as a result of these reforms, criticism number one; and criticism number two, this is going to cost too much to the States. They say these things almost in the same sentence. But they are mutually exclusive.

If we want to reform the welfare arrangements of this Island in a way which does not cost the States more money, then we are going to have to put everybody who is currently in receipt of any form of welfare in an even worse position than they would be otherwise, or than they are at the moment. That is the only way of saving money, if we want to save money out of welfare reform.

If we do not want anybody to be made worse off, then we are going to have to pay more for welfare reform than is included in the Budget and is included in these proposals. We cannot do both of those things. They are mutually exclusive.

Remember the history of previous States’ attempts to reform social welfare. In 2012, the committee which Deputy Dorey led proposed social welfare reform, which would have meant that very many fewer people would have been worse off, if anybody, and the minimum cost associated with those proposals was £8 million per year.

The then Policy Council, somehow, by some trick of the financial forecast, managed to come up with a figure of £20 million per year, but I do not think that figure was any more accurate than some of the figures Deputy de Lisle has quoted this morning.

In any event, let us take a generous view of those figures and say that the cost would have been somewhere between £8 million and £20 million per year. Those proposals were rejected by the States, I think, by one or two votes.

775 Then, committees led by Deputy Allister Langlois and the late Deputy Jones laid proposals for welfare reform before the last States, with a cost greater than the cost of these proposals and they were also rejected by the States.

Now, we have these proposals, which were approved by the last States. This is the way to reform welfare at the lowest cost available. This is bargain basement welfare reform.

780 Deputy Lester Queripel says he cannot vote for it because he thinks that some people will be worse off. Well –

Deputy Lester Queripel: Sir, point of correction.

785 **The Bailiff:** Deputy Queripel.

Deputy Lester Queripel: I did not say I think some people would be worse off, they will be worse off. It is a fact.

790 **The Bailiff:** Deputy Fallaize.

Deputy Fallaize: Deputy Queripel says that he will vote against the proposals because some people will be worse off.

795 But, by voting against the proposals, more people will be even worse off. The number of people who are worse off is much greater under the present arrangements than it would be under the reformed arrangements, which is why it costs several millions of pounds a year to introduce it.

Who does he think is benefiting from the several million pounds per year, if it is not people who the States have already identified are living in intolerable conditions? Who does he think is going to benefit from these reforms?

800 As I have said in connection with other debates and I would say it to Deputy Lester Queripel and to others this morning, sir, the choice facing Deputy Lester Queripel is not these social welfare reforms or a more generous set of welfare reforms, because we have already been there. The choice is these social welfare reforms or none at all.

805 If he goes for the none-at-all option, which is what he is proposing in voting for Deputy de Lisle's amendment, he guarantees that the poorest people in Guernsey remain in their present circumstances – the very poorest people.

It is true to say that the proposals which these Budget Propositions are trying to fund do include an element of redistribution from people who are not very well off, but better off than some people, to those who are the worst off of all.

810 There is a degree of redistribution involved in closing the Rent Rebate Scheme and introducing the Income Support as a replacement for Rent Rebate and Supplementary Benefit. I am quite happy to look at what is the alternative to that.

815 The alternative is to say we will not have any kind of internal redistribution within our welfare scheme to ensure that the support is being directed at those who need it most. The alternative is to say let us leave everybody who is in receipt of Supplementary Benefit and Rent Rebate not in a worse financial position, but ensure that those we have identified are living in intolerable conditions get the additional support they need.

820 But the question is not just how much will it cost, but where will the money come from? Because, if there is not going to be a degree of redistribution within the welfare scheme, the additional money is going to have to come from other people, is going to have to come from other taxpayers and the additional cost will not be £4 million a year, you could multiply that twice, three times, four times and it would require the States to undertake wealth redistribution in a way which successive States have demonstrated they are just not prepared to accept.

Then, the very same Members, in my view, who come here and say this is all too expensive and some people are going to be made worse off if this scheme is introduced, would be here, saying: you cannot tax the middle class in the way that is being proposed or you cannot tax the high earners, or you cannot tax companies, or you cannot tax people who own property, or you cannot tax people who consume large amounts of goods and services.

If we want welfare reform which directs financial support to those people who need it most, the only practical way we are going to achieve it is to have a degree of redistribution within the existing welfare scheme, otherwise the States are going to think it is too expensive and it is too much of a burden on taxpayers.

Deputy Lester Queripel asked what are the people who will be paying from this scheme, but not benefiting from, getting out of it? I think, sir, that is a disgraceful attitude.

He is saying there are some taxpayers whose taxes will be going to provide additional financial support to the people who are poorest in Guernsey, but those taxpayers should be concerned about it because they will not be directly benefited.

I am afraid, that is the basis on which society is organised. People pay taxes in ways which are then spent, from which they do not necessarily benefit themselves. Some people do not have children. They pay taxes, which go towards education. Many of us, in this Assembly, many people in Guernsey, will not have visited the doctor for a long time, or many times, or will not need the health services of Guernsey, thankfully. But there are many people who do and the taxes we and others are paying are paying to support health care.

The concept, which I am sure Deputy Lester Queripel does not need reacquainting with, is that people contribute according to their means, in order that those who need support can obtain it at the time they need it; whether it is in relation to housing or health care or education or pensions or social welfare.

So to ask the question, what are taxpayers going to get out of this scheme, I really do think is a quite disgraceful attitude. Deputy Lester Queripel says how are Members who vote for this going to answer this question? I will have no problem facing the people to whom I am accountable and saying that they are getting absolutely nothing out of this additional investment, if the only thing to be measured is how much they would be getting in terms of financial support. But I think there are many people who would be prepared to make this additional investment, knowing that the money is being used to support the poorest people in Guernsey.

So I think, in a sense, the biggest flaw in this amendment is a sort of technical, or theoretical one, in that Deputy de Lisle claims that some people will be worse off, as a criticism, and also says, as a criticism, that it is going to cost the States too much and these are mutually contradictory arguments.

He ought to tell us which argument he actually believes in. Is he putting his amendment forward on the basis that the scheme costs the States too much? In which case, he needs to accept that many more people will be made even poorer. Or he needs to present it on the basis that he does not want anybody currently in receipt of any social welfare scheme to be made worse off. In which case, he has to be honest and accept that his thinking would cost the States very much more than is being proposed here.

But the much deeper case against this amendment is that this money is necessary and has been accepted as necessary by successive States, in order to provide additional financial support to people who are living in intolerable conditions.

This is not money that is being thrown away in the way that Deputy de Lisle suggests. It is not additional cost for no gain. It is relatively modest additional cost, to be spent supporting the people who need it most and, I think, as a Government, we should be proud to support it. We should not apologise for it and we should chuck out this amendment.

A Member: Hear, hear.

The Bailiff: Deputy Paint.

Deputy Paint: Sir, I second this amendment.

I have always voted against the SWBIC proposals. Always did. For the very simple reason that nobody ever said where the money to pay for it was going to come from.

880 If I recall properly, it is a few years ago, it started off at £21 million, for that to be put forward – or around about that sum. It was then whittled down to about £3 million. It is now, as I understand it, about £4-plus million, which is only two years later. So, can we expect it just to go up and up and up? I do not know.

885 The fundamental flaw of this was that this Assembly made the decision to implement this, without knowing where the money was going to come from and that is the flaw this Assembly does continually.

As an example of the consequences of this, I will tell you about a mother and daughter who were told they had to get out of their States' house, a three-bedroom States' house, which was fair enough, because there were only two of them.

890 Eventually, they were told they would have a one-bedroom States' house. That made one of them destitute. They were both working, both paying maximum rent, now they have had to leave States-owned accommodation to become private tenants. In 10 or 12 years' time, the mother, for sure, will have to come back into social housing because she will not be earning enough to live. How much more is that going to cost and how many more people is there like that?

895 This is the reason why. Although I accept, as Deputy Le Lièvre put it, there was passion about it, but I do not think he had actually taken into account the consequences of the future. I think that is the problem.

As I say, in your own household, if you want to buy a new settee, you have to know where the money is going to come from. We made that decision without knowing that and that is a big fraud.

900 I note that, with all due respect to Deputy Fallaize, in the last debate on this very subject, he told the Chief Minister at the time that we will implement this next year. I cannot remember the response, but it was not exactly good. Now, a year later, this is happening. I am sorry to hear that. The consequences of what is going to happen in the future have not been properly thought out.

Thank you, sir.

905

The Bailiff: Deputy Soulsby.

Deputy Soulsby: Sir, just to follow-up on what Deputy Paint just said, I think it is very dangerous to use just one isolated example to justify why a particular course of action should not be undertaken.

910 I am standing just to add to the comments made by Deputy Roffey, actually. He beat me to it, getting up very quickly, straight away at the start of the debate, with regard to the implications of SWBIC, in terms of health care. This is something I spoke about in the debate, on the policy letter, in March 2016 and referred to page 1957, paragraph 161, of that report, where it states:

The proposed unification of the system will potentially bring an additional 930 households, comprising 2,275 individuals, into the scope of free medical and paramedical cover. Clearly, this is a good thing, it should reduce the numbers of people who put off going to the GP because of the cost.

915 Now, I did caveat that at the time, by saying how this could increase demand, arising from referrals from GPs. However, that is a reflection of the problem of our current model of health and care and a demand-based primary care system, in particular, and should not be a reason not to support the most vulnerable in our society now and not wait until any new model of care is put in place.

920 So I agree with the in-work poverty report and Deputy Roffey's comments that the SWBIC recommendations will make the current benefit system fairer and, therefore, cannot support this amendment.

The Bailiff: Deputy Langlois.

Deputy Langlois: Thank you, sir.

There have been some good, comprehensive speeches in opposition to this amendment. I am not going to re-run some of those arguments, but one of the things that Deputy de Lisle has consistently said, both in the March 2016 debate and in this one is that the merger of the Rent Rebate and the Supplementary Benefit systems is going to amount to a large sum of money, he has conflated the SWBIC proposals with the merger of those two systems.

For the SWBIC 2016 policy letter, Treasury & Resources analysed SWBIC's figures and only 20% of the costs of the SWBIC proposals are directly attributable to the merger of the two systems.

The vast majority of the money is going to address the indisputable fact that, in one of the wealthiest jurisdictions in the world, many households are living in real poverty. There is a lot more to SWBIC than the merger of the two systems.

Another point that Deputy de Lisle has emphasised is that about 700 are going to be worse off under the SWBIC proposals. But, in fact, three times that number are either going to be better off or no worse off than they currently are. Whenever you try to balance an inequitable system, there are going to be people who gain and people who lose.

As has been pointed out in Deputy Fallaize's speech, there is an easy way to address that particular problem. You put more money into it. But the States has twice rejected that as a possible solution and I, somehow, doubt that Deputy de Lisle will be proposing it any time soon.

The third point I would really like to make about this is that it is very unusual in a Budget debate, which is a forum for discussing P&R's proposed fiscal policy for the next 12 months, for us to attempt to overturn extant States' social policies, but that is in effect what Deputy de Lisle is trying to do today.

In March 2016, the States, as Deputy Queripel said, by an overwhelming majority, voted in favour of this particular social policy. The Committee for Employment & Social Security, with P&R, have discussed the funding of it. It has been remodelled to get accurate figures and P&R has included, in their Budget, a sensible figure for implementing the SWBIC proposals from July 6th next year.

But that is not the end of the story. As usual, the money is there, in the Budget, but P&R are not simply going to hand over a cheque to the Committee for Employment & Social Security, the Committee is going to be bringing a policy letter to the States, early in the New Year, which will set out the new benefit rates, which will supplant the ones we will be debating later this week, from July next year. That gives everybody ample opportunity, if they consider that they are too generous and, it appears that Deputy de Lisle and Deputy Paint do believe they are too generous, because they are the bulk of the cost of the SWBIC proposals, not the actual merger of the two systems.

In other words, we will be having a policy letter coming to the States, there will be the new rates on the lines of SWBIC's recommendations and there will be plenty of opportunity for everybody, for the States to debate those figures. If people consider they are too generous, then they can make the case against those figures.

This is not the time for that debate. This is a Budget debate, not a 'let us rethink our social policy' debate. There are no papers in front of the States, as there will be at the beginning of next year, where the Committee for Employment & Social Security will be justifying the figures they will be putting forward. There will be a comprehensive policy letter to debate at that time.

That is the time to be debating the SWBIC proposals, not at this time, which is simply a Budget debate, so I would recommend the Assembly rejects this amendment.

Thank you.

The Bailiff: Deputy Leadbeater.

Deputy Leadbeater: Thank you, sir.

I would just like to pick up on a point that Deputy Lester Queripel made. He was urging us to listen to the former Director of Housing and his article in the paper.

980 When this amendment first came into the public domain, I had a phone call from somebody who works at Housing, saying something completely the opposite. They were horrified, because they had been looking forward to getting rid of the Rent Rebate System, because it is so clunky, it takes up so much time. The people in social housing, themselves, do not like it.

So I would disagree completely. I would encourage Deputy Lester Queripel to listen to the people that administer the Rent Rebate Scheme, the people on the sharp end, and the people in social housing, because I think they want to see the back of this.

985 Thank you.

The Bailiff: Deputy Graham.

Deputy Graham: I wish to say a few words on the amendment.

990 I do not propose to support the amendment but, rather like Deputy Roffey, I do find that there was merit in some of the points that Deputy de Lisle has made in presenting the proposed amendment.

When Deputy de Lisle, if indeed he feels it necessary, responding to debate, feels he has to apologise for the use of the word 'wean', I tell him now he does not need to apologise to me for that. I, for one, did not take offence at that. I have not bothered to look it up, to be honest, but if one did I would be very surprised if it was not confirmed that a very common understanding of that expression is to try to lead somebody away from a dependency which they have become accustomed to. In that sense, if that is what he meant, I for one take no offence from that.

1000 I would not have bothered to stand up just to make that point. There is a more serious point, about SWBIC, and I think it is relevant to the amendment.

I, for one, am not totally clear about who is going to be worse off under SWBIC. I do take Deputy Fallaize's point that it is incumbent on us Deputies to become well-informed on these matters, and I do concede that he is probably more diligent in that matter than I am, but he has also got the advantage of being on the relevant Committee and may have a better understanding of that. It would not matter so much if I am unclear about that, but I think there is a lot of uncertainty and lack of clarity and, therefore, concern amongst those directly affected on the ground.

1010 When I last knocked on doors in one of the social housing estates in the Castel, where there are predominantly elderly residents, this was a real matter of concern and one is talking about households where, typically, in the kitchen cupboard, are a series of tins with specific amounts of money set aside to meet specific bills.

In other words, people are living month by month on the calculations of a pound here and a pound there. I did find, and this is being frank about SWBIC, there was a lack of understanding as to how the proposed changes were going to affect individuals.

1015 All I would say – and this, again, is in the context of the Budget and the extra staff – if there are going to be another four or five extra officers employed, I do hope that some of them, at least, are going to be able to address the interface between the customer and the policy.

The Bailiff: Deputy Le Clerc.

1020

Deputy Le Clerc: Thank you, sir.

1025 If this amendment passes, this will set back – for the third time – an attempt to reform rent and welfare benefits. I have a personal mission to get SWBIC over the finishing line. It was one of the reasons I stood for election in 2016 and for putting myself forward as President of Employment & Social Security.

I always knew it would not be easy and that, of course, it will be unpopular to those that are on the losing side. But, that is why we have a transition period of three years. On top of that, the ability for our administrator to show discretion in some circumstances.

We must remember, and many have emphasised this, that we will have over 1,200 people who will be better off and some of those that will be worse off, we know that their circumstances will change over that three-year transition period and, in addition, they will be receiving the health benefits, as Deputy Soulsby has discussed, and something that I know is close to Deputy Lester Queripel's heart, that they will receive fuel payments. He very often stands, and I expect him to stand tomorrow, when we debate our Uprating Report, to talk about the Winter Fuel Payments.

So let me go on to some of the specifics that Deputy de Lisle brought up in his speech, and some others. The first one, about the escalating cost of benefit reforms cannot be defended.

I believe that they can and, when the Employment & Social Security Department met with Policy & Resources to discuss the funding of SWBIC, and I asked them what other plans they had to tackle poverty in Guernsey ... that was the silence that I was met with.

So there is no other plan to tackle poverty in Guernsey and we know, from the Guernsey Household Income and Expenditure Survey, that many Guernsey households are at risk of relative poverty and there are households in our community in real need. That Report indicated that almost one in three children are at risk of poverty and this was something that Deputy Lester Queripel mentioned in his speech. What are we doing for the children?

Deputy de Lisle, as a member of Education, Sport & Culture, I think that is part of his responsibility to ensure that children who live in our social housing are clothed and well-fed, so they are capable of learning, when they go to school. **(Several Members: Hear, hear.)**

The Committee think that this is unacceptable and see SWBIC as a way of working towards addressing many of these issues and I want to thank P&R for their support in providing the funding for SWBIC and, I think, that comes on to one of the points that Deputy Graham made, about the lack of clarity.

Until we have the funding in our account, as it were, we cannot go and discuss, with our tenants, the impact on each individual household. In fact, actually, the households will change on a weekly and monthly basis. But we will have a big communication plan that we will be bringing with our Income Support letter next year, that outlines exactly how we will communicate to all of our tenants.

I think, one of the things that Deputy Graham also indicated was perhaps some of the more elderly in our community, but those people that are already pensioners will go straight onto the long-term rate. So, in effect, they will be no worse off and many of them will actually be better off.

I want to pick up on the additional staff. This was one of the areas that I was concerned about: 4.4 additional staff. But, we have got to remember that we will be having 700 additional households coming into the welfare system. I am hoping we will not need the 4.4 staff. When we originally said 4.4 staff, that was when we had housing and Supplementary Benefit in two different buildings. We now know they are all based in one building and we are working much more closely as a team and we are looking at ways in which we can reduce the footfall and visits to the office. We are looking at electronic workflows, we have got online applications, we have got the ability to say to people you do not have to come in any more with your wage slip and show us, we have got an online app. We will be more flexible and more pragmatic in our approach.

For me, the first six to 12 months during this transition period are going to be absolutely key and I would rather ask for more and need less, to ensure that we can still process claims on a timely basis and, I think, it is pertinent to say that we have seen some of the issues in the UK, with the Universal Credit, of a six-week waiting time. That is not acceptable, to me or my Committee. I would rather see the staff resources in there and, hopefully, we will be able to reduce that amount.

Deputy de Lisle talked about the struggling economy. I would say what struggling economy? Unemployment is the lowest since 2008 and the job market is buoyant.

Deputy Lester Queripel talked of tens of thousands and what do they get? I think that Deputy Fallaize has addressed that. I think that is what Social Security is there to do; to pick up the pieces

when you need it. You never know when you are going to need that help and that assistance and you think what our welfare bill covers, it covers Severe Disability Benefit, it covers Carers' Allowance, it covers Sickness Benefit. Included in the SWBIC amendments are the Extra Needs Allowance, where those people in real need, where they need some extra allowance for fuel, or for clothing, or for some medical assistance, that is all included in this package here.

I think I have addressed most of the questions that have come up.

This Assembly, during their debate in March 2016, recognised that we do have long-standing poverty in Guernsey and, this year, we saw the first report, on Guernsey Household Income and Expenditure, which clearly outlines the huge divide between those that have and those that have not. This has also been recently backed up by the Scrutiny In Work Poverty Review. Again, I am grateful to Scrutiny for the work they have put in.

What more evidence does this Assembly need to prove to them that something needs to be done? Even though this is not perfect, it is the start. It is the foundation of bringing an outdated, unfair Rent Rebate system, that benefits only those in social housing, into a welfare system that will also help those in the private rented sector. Let us be honest with ourselves and tackle the reality of poverty.

I ask you to throw out this amendment.

Thank you, sir. (*Applause*)

The Bailiff: Deputy Green, then Deputy Tindall.

Deputy Green: Sir, thank you very much,

Can I ask Deputy de Lisle, when he sums up, why he did not say anything about the second paragraph of his amendment, which asks for the deletion of Proposition 23? I think, in many ways, that is probably, for me, the high point of this amendment.

I will not be supporting his amendment.

Proposition 23 says the objective in the fiscal policy framework, which limits expenditure growth in real terms, should be interpreted for 2018, to exclude £1.8 million of the additional amount of £2.5 million allocated to the Committee for Employment & Social Security to fund the introduction of the Income Support Scheme.

Now, I read that as saying, from the text in the Budget, that the Budget can only really be read as being consistent with the fiscal framework if we, effectively, ignore £1.8 million of the States' expenditure, in connection with the Income Support Scheme. I will be returning to that in general debate because I think, once again, that idea of simply ignoring some of the expenditure in relation to this or any other thing, in order to be compliant with the fiscal framework, makes a mockery of the fiscal framework.

But, no, I cannot support this amendment, sir. As others have said, it is simply a last-gasp attempt to frustrate the implementation of much-needed reforms.

I can sort of understand where Deputies de Lisle and Paint are coming from, in view of the ongoing need for fiscal restraint, in terms of the public finances, because we do not know what is around the corner. The figures might look relatively good in this particular Budget, but we do not know whether that is locked in or not and, with all of the uncertainty in the world, including Brexit, we do not know what is around the corner.

But the reality is the money has been found for this and is allocated in this Budget for it. This Budget is actually calling for us to prioritise this project, this programme and the expenditure, at 4.33. The States has already agreed to this policy and there is a Resolution to fund it. That has already been agreed. The intellectual case, the philosophical case, for unifying the Rent Rebate Scheme and the Supplementary Benefit system has already been made and won, on more than one occasion.

So how many times does the case for change need to be made? It seems over and over again it is par for the course.

Others have said, Deputy Lester Queripel said, this is not a panacea and, of course, it is not. It represents some progress towards a solution, but it certainly does not represent any kind of new Jerusalem. Unfortunately, that is how social progress actually happens in the real world. It happens incredibly slowly. It happens not in a neat way, not in a perfect way, but in a very imperfect, very slow, very gradual sense, especially in Guernsey.

I think it is fair to say that the original principles that underpin the work of the Social Welfare Benefits Investigation Committee were not perfect and I do not believe it was particularly coherent. The definition of poverty that was used by that Committee was, in my view, flawed and it was, essentially, politically driven in order to make the overall cost envelope less than what it might otherwise be.

But that was an argument in 2016 and the States supported the SWBIC representations at that time, even though the definition of poverty encapsulated in the SWBIC Report was inconsistent with the definitions of poverty that we use elsewhere in the States, which I think is an inconsistency we really need to grapple with and to deal with, in light of the excellent work that Deputy Roffey has been doing on the Scrutiny Panel, in relation to in-work poverty, we do need to make sure that we have a proper, consistent definition of poverty going forward, and not this inconsistency that I think is intolerable.

But yes, of course, there will be winners and losers. Deputy de Lisle, as others have said, has made some points that are based in fact. But, overall, the objective of these reforms is still well-made and is still necessary.

The concerns are the increase in the number of civil servants, the increase in the expenditure, from other estimates, but, nonetheless, we know that the Rent Rebate Scheme has been a kind of shadow benefit system for many years, run by the former Housing Department. The time now, really, is to get on with this.

It is good that P&R have acceded to the request to fund this, notwithstanding the points I made before about the fiscal framework. It really is time to get on with this and to support this.

The Bailiff: Deputy Tindall.

Deputy Tindall: Thank you, sir.

I was told by a radio presenter on Sunday morning that there was nothing much to talk about this year, regarding the Budget. I exclaimed: 'Yes there is, this amendment!'

I also have to turn around and say that something that Deputy Graham just said has also made me a little upset and I cannot let it pass.

I have been involved in advising individuals, one way or another, on how to claim benefits, for nearly 30 years and say that the vast majority of people do not get accustomed to being on benefits. People do not want to be on them in the first place and they try their utmost to get off them.

As Deputy Le Clerc and Deputy Fallaize have so eloquently said, this is an amendment which will get rid of the changes, which will help those who live in intolerable poverty. I therefore, had to say my piece.

Deputy de Lisle claims the changes are costly, unaffordable and unsustainable. But, sir, I will not vote for this amendment, because overall it will help more people than now – these new changes, these SWBIC recommendations. Those are the ones who need our help the most.

Some talk about a lurch to the left, or a lurch to the right. In my view, if this amendment was successful, this would be a lurch to the past.

Thank you.

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Thank you, sir.

1180 It is certain to say that Deputy de Lisle said some interesting things in his opening speech. Particularly, I wish I had listened to him, on his economic advice, when I was bringing up my children. I might have suggested therefore, some years, in line with giving them an increase in their pocket money, I might have taken away some food or said they did not have to tidy their rooms at the same time. *(Laughter)*

1185 Seriously, I think another speaker has said, what we are looking at here today is really the funding of something that previous Assemblies have worked on for a number of years. I want to pick up, just briefly, on something Deputy Lester Queripel said in his speech. He used the term, and I think he was referring back to previous debates, that people had seen this as a panacea. I certainly did not see it like that and I remember speaking as such and warning previous
1190 Assemblies not to see this as a panacea.

I see this as a journey towards a fairer system for all. A fairer system for those of us who do not need benefits and a fairer system for those who are in receipt of benefits, in comparison with others in receipt of different benefits.

I do not see this as being a panacea. It is a step on a journey. Any step causes some difficulties,
1195 because you realise that you are in a different position and, therefore, there are some problems with this and I am certainly disappointed at the extra costs. But, I believe, in the long-term there will be some benefits as other things, anomalies, and it is primarily to address anomalies that the SWBIC initiative was set up.

I cannot support this amendment and I do think we need to move towards a culture where, as
1200 a previous speaker has said, we do not criticise those who do need benefit – I too have seen that, in my own family, people do not want to be on benefits and, yet, benefits are there for exactly that purpose – or make it harder for them, particularly in old age, to access the benefits that are necessary for them. Because in the end we make a rod for our own back, because the costs will mount up in increased health charges and other things in the long term.

1205 This is just a step, but it is a step in the right direction and I encourage the Assembly to reject the amendment.

The Bailiff: Deputy Gollop.

1210 **Deputy Gollop:** Sir, I too, like Deputy Roffey, have a certain sympathy with some of the ways in which Deputy de Lisle has expressed himself.

Of course, he is a popular and frequently re-elected Deputy for the Western parishes, and it is conceivable that they have a different outlook from the rest of the Island. I think they do. Deputy Langlois might not agree.

1215 For example, we had a report from somewhere or other which suggested that average incomes in St Pierre du Bois, a leafy, wooded parish, are £20,000 higher than St Sampson's, which is quite a gap.

We do know there are three or four, or five or six pockets of social housing in the Western four parishes; but it is possible Deputy de Lisle is right that there are more losers than winners there.
1220 Because I sat on the SWBIC Committee, chaired ably by then Deputy Andrew Le Lièvre, who has done so much for this project, and I was in a curious position because, although I occasionally sounded off, and had paddies and everything – and Deputy Le Clerc will remember that – I was not actually elected in my own right to sit on the committee, unlike most other committees I have sat on.

1225 I was a delegated member, who represented a Committee, in this case Social Security, then presided over by the Deputy Chief Minister Allister Langlois. I replaced, I remember, advocate and Deputy Christopher Green, who said elements of this were intolerable. He was a very wise man, as he always is, and he quit the committee, for a new life at Scrutiny, for a presidential role as it turned out down the line, just when it was getting interesting. I was like a piglet in the farmyard
1230 there!

I had to represent the views of the Committee, which I interpreted as the majority of the Committee, and to a lesser extent the staff and the bureaucracy; and, therefore, I could not grandstand on my own. But I did find, most of the time, the decisions collectively taken after years of hard work were quite on the measly side of the spectrum. We would go around estimating whether people could buy second-hand clothes. We would cut up jelly babies from the more, sort of, extravagant expenditures of things and we very much focussed on the cost of baby clothes and all that kind of thing.

It was not at all a generous exercise and, I remember back in the day, we had had a survey from Loughborough University, which would have been, perhaps, more socially scientific, but it was unaffordably expensive. Somebody said, earlier, that it was Treasury & Resources who added the £20 million costing. No, that was actually a variable cost, because we did not know how much it would be.

The figures went down every time we looked. In the last Social Security, we started off with £8 million, then it became £6 million and, by the time we were going down, it was going lower.

It is wrong to talk about people being weaned off welfare, in many ways, because what are we defining as welfare? The old housing Rent Rebates, which were loved by many and they go from some of the higher earning tenants, were and are welfare. It is the same thing really, whether you give me £10 or take £10 off me. It comes to the same thing. Well, there is a perception out there that welfare is all about people who could work, playing the system and getting a lot for themselves. That perception is influenced by American and British propaganda you read in the media.

In fact, some of what we heard today, from a North American perspective, welfare reform in North America often does mean eliminated welfare, in a way. Yesterday, I went, for the second time, to the excellent apprenticeships system, Education, Sport & Culture, through the College [11.35.11] are pioneering. There is a book for sale about social policy from 1839-1910 and how the *laissez faire* of mid-Victorianism turned into a more realistic approach to poverty, in York, and so on.

There was also a feature on the internet about how one's perception tends to colour the social media you get, and it was apparently the case, before the last election in America, that Republicans generally thought the economy was going downhill and Democrats generally thought it was doing okay. We have heard that type of argument today as well.

But when you get into areas of welfare I would challenge the perception of the able-bodied man and woman who is playing the system. We do not, obviously, have many disabled people in that situation, but consider this: much of our welfare that is paid, including Rent Rebates, including Income Support, for the future, are to hard-working families; the kind of people Mrs Theresa May and Gordon Brown and others have always praised. They are actually working many hours a week, but they are not earning sufficient to live on this Island.

Another reason why the cost has increased a little bit – we have to admit that the estimates missed slightly – is because we were aware of the rocketing costs of the privately run medical practices on the Island. Those who will qualify for Supplementary Benefit, and now Income Support, are doing so because they cannot afford those kinds of bills, especially if they have lots of children who frequently get illnesses.

We have not, as a States, addressed that situation. We were supposed to address it in the 1990's and nothing happened.

So the reality is that this is the best possible scheme that is pragmatic for now. I remonstrated at the time that there were too many losers. Like Deputy Lester Queripel, I have met some of the people who are likely to be losers. But I come at it from a point that the reason they are losers, really, is because it is not generous enough. It is too small; the quantum is not there.

What have we seen this week? A report from Scrutiny suggesting that some of us have had our head in the sand for too long and that we cannot just liberally talk of the happiest place in the world when, perhaps, 10,000 people are struggling. Every social report we have had suggests that

17% of the population, or so, live in relative poverty and that was from a chief medical officer of health at the Guernsey Community Foundation and so on.

1285 I suspect, probably, a higher proportion of those people live more in the urban parts of our Island than the more rural, but nevertheless it is a problem we have to collectively face and, indeed, perhaps, if the less well-off have more spending money in the future, we will see the back side of a mini retail boom as well. So it will have knock-on, multiplier effects on our economy.

1290 So I urge you to reject this amendment and consider, more deeply, a more measured approach to social policy, now and for the future.

The Bailiff: Deputy Dorey.

Deputy Dorey: Thank you, Mr Bailiff.

1295 A number of Members, including Deputy Green, referred to the definition of poverty. I still believe, and Deputy Gollop referred to it, the Minimum Income Study is the best way of defining the level of income below which people are in relative poverty.

1300 The involvement of local people to define that level and also the significant research that is done at university level to come up with the methodology, I think, proved it to be the best method. Until we actually adopt the Minimum Income Study standard and have our benefit levels, to ensure that everybody is at least at that level, we will have unacceptable relative poverty.

1305 In 2012, the report that Deputy Fallaize referred to, we had 233 people that would be worse off from the proposals. As he mentioned, it would cost, Deputy Gollop said, between £8 million and £20 million. That, I think, was because the quality of data that we had was such that we could not make a more accurate cost of the scheme. But, that was at a considerable discount to the MIS study, to try and make the numbers acceptable. We were not defining it at the level of MIS.

So I agree with Deputy Le Tocq: this is a step along a journey, but it is just the first step and we have considerable further steps to go before we reach an acceptable level of benefit levels within our society, so that we stop relative poverty.

1310 I urge Members to support this. As others have said, this is to do with fairness. We have two schemes. One is more generous than the other. It cannot be acceptable, in the long-term, to continue with that situation.

As a Government, one of our key responsibilities is to protect the most vulnerable in society and this is part of fulfilling that purpose of Government. So please reject this amendment.

Thank you.

1315

The Bailiff: Deputy Brehaut.

Deputy Brehaut: Thank you very much, sir.

1320 I am supportive of these proposals. I think what was overlooked, perhaps, by the proposer of the amendment and the seconder, and perhaps in the speech by Deputy Lester Queripel, is the number of people that we will reach outside the social housing.

1325 Because the definition has been so narrow for so long and that those people who have been fortunate enough to be tenants of the then States' Housing Authority, more recently the Employment & Social Security, in relative terms, fare better than the large number of members of the community who are now taken under this, hopefully, umbrella when we approve the Report that is in front of us.

Deputy Fallaize is right, this is equalisation, more equitable distribution, or redistribution and the long history of States' rents and winners and losers is there for all to see in previous States' Reports.

1330 When the States moved some years ago to the principal wage earner system, again appreciating exactly how much was going into the house, it meant that some people no longer qualified for States' accommodation and they were moved out. Those were very, very contentious

decisions; long arguments and real campaigns against proposals to move people from States' accommodation into the private sector.

1335 These are long overdue proposals to bring the equalisation within the system and I agree with them. I would hope that Deputy Lester Queripel understands that, if we voted for this amendment, we would leave many more people at a disadvantage and more people living in intolerable living conditions and I have to ask him, through you, sir, does he understand that?

1340 Because those are not the actions of Three Musketeers on white chargers, those are the actions of Three Blind Mice or, rather, three short-sighted blind mice. It should be as plain as the nose on our face that if we supported the amendment from Deputy de Lisle, we would leave many more people at a disadvantage.

1345 Again, I would ask Deputy de Lisle to reflect on his position as a member of Education, Sport & Culture, and to really understand the truly miserable, horrific and difficult situations some young people live in – very young children. We try to reach them through the Play Scheme, we try to reach them through breakfast clubs. Sometimes, we are just gratified that we can reach them with assistance for a school uniform. As Deputy Le Clerc said so well, if you want people ready to learn, keen to learn, you have to deal with the issues in the round and the real challenges they face at home, each and every day.

1350 Deputy Paint mentioned this issue of one example where there was a family and that family got taken out of their States' houses, but only to pick them up later. Well, actually, it shows the system is working. Like it or not – and at times I have made a few observations on it – there is an eligibility criterion. At certain times in your life, you will be eligible, whether it is the GHA or whether it is for States' housing, then circumstances change, and you will not be.

1355 But, quite rightly, later on in life, then you will find yourself eligible for assistance and, possibly, accommodation from the States.

Now, I approve, I may have even applauded Deputy Fallaize's remarks with regard to 'wean'. I think 'weaning' is a term that is clearly ... in some people's view upon Guernsey there is the deserving poor and the undeserving poor. Sorry to put it so starkly, but some people do believe that. It is the language of a hand-off rather than a handout. It is the language of the handout that appeals to people. People like the language of the handout, which leads to more judgemental decision-making and more prejudicial decision-making.

1365 Sometimes, I feel amendments like this ... Deputy de Lisle must have been aware this amendment cannot win. It will not go through. I think, for some people, placing an amendment that loses may be gesture politics, but sometimes it just does not matter whether it wins or not. I think the States provides an opportunity for some people to repeat key themes all the time, which are we are profligate with taxpayers' money, they are not; they are the real custodians of the public purse and we are not; they are trying to stop wasteful spending, we are not; we are guilty of hypocrisy and they are not; they look after the vulnerable people and families, we do not.

1370 I think that message is clearly untrue, it is unnecessary and I think it damages the collective reputation of this States, time and time again, that people use the States for a platform to stand away from and apart from difficult decision-making.

Members, please roundly reject this amendment. Thank you.

1375 **The Bailiff:** Deputy Yerby.

Deputy Yerby: Sir, I am standing only briefly to endorse the comments made by my fellow Committee members and, of course, by our supporters.

1380 A word to those supporters who have said, 'Yes, of course, we endorse the policy and we recognise that it needs to be resourced and must be implemented.' It is not enough, then, to step away and say, 'Oh, but what a shame about those extra staff members.'

Because, of course, it takes staff to implement policy. In response to Deputy Graham, we are very conscious of the need to have effective communications around this and that is going to

require up-front investment and communication and, again, that will require the hands on deck to make it happen.

So when the States commits to a policy it has to commit to resources and it has to commit to hands on deck. It is not really appropriate to say, 'We would like to see it happen, but we do not want to give you the people to make it happen.'

The other thing that has really made me come to my feet in this debate is the repeated talk about losers. Deputy Brehaut, effectively, summed it up. In the current system, there are many people who are very badly treated. Those are the real losers, but we do not see them. They are invisible, because this is the *status quo*.

We are moving from a bad system to a better system. Not a perfect system, but it is a move that is worth making and we have to accept that the States agreed a formula that will allow everybody within that system to have an amount which is commensurate to their basic household needs. It is less than, I would say, people need, certainly on a short-term basis and even, to an extent, on a long-term basis. But it is a formula that is designed to reflect the needs of households with children. The needs of households without. The needs of households with one person or two. And so, even those who will have less than they currently have, will receive an amount that is more fair than it currently is.

It is not really appropriate, in these circumstances, to talk about the bringers of this amendment championing those who might otherwise lose out, because under the current system, far more lose out than will in future.

There is also, as my colleague, Deputy Gollop, referred, a body of economic evidence that people on lower incomes spend more in the local economy. So cash transfers in the form of benefits to the poorest households are of local economic benefit and that is something, as a States, that we need to be conscious of and to support, as well.

Finally, Deputy Green said we do not know what is around the corner, economically. He is right. But in those circumstances it is always the poorest who are hit the hardest and, so, as others have already said, it is absolutely our responsibility to make sure that there is an appropriate safety net in place.

The Bailiff: Deputy Inder.

Deputy Inder: Sir, thank you.

I was going to get up and rail against the positions which I see often just created at the point a strategy is first mooted, but unfortunately both Deputies Yerby and Deputy Le Clerc have taken the wind out of my sails somewhat.

I do worry somewhat still – and I will not be supporting the amendment, by the way – it is not really worry, I just get irritated a bit, to be honest with you, when I read one of the final paragraphs from the framework for the public service reform.

I am going to talk about the use of technology and I will bang the same old drum about channel shift until someone stops listening. The last paragraph talks about new ways of working – and this is the foreword from the chief executive officer, Mr Paul Whitfield – and great use of technology and data sharing will become the norm.

Further integration of back office functions will reduce duplication and allow for a stronger focus on strategic issues. We will invest in our people to increase and expand the capability, so that they can respond to the emerging challenges.

With the greatest respect, for something that was produced in 2015, I do not see any great indication in the use of technology to create efficiencies within Government.

I will give way.

The Bailiff: Deputy Yerby.

Deputy Yerby: I thought it might help Deputy Inder to be informed that one of the biggest challenges for us, in terms of implementing SWBIC, is reducing the amount of footfall to Wheadon House and the staff within Social Security, who are making the changes and introducing various technologies to make that possible.

So that progress has already happened.

Deputy Inder: Thank you for that, Deputy Yerby.

I was just using this as an opportunity to pick a fight, generally, with the lack of use of technology. I was not particularly picking on ESS because, as I open with this, both Deputy Le Clerc and Deputy Yerby took the wind out of my sails. So I am just having a general rant about the lack of use of technology through the States! *(Laughter)* So if she will bear with me, I will not be long.

I still want to see more of what was known as channel shift. I just do not see it. That is the movement from the use of technology, creating efficiencies and thinking less about people and creating new positions. Actually, deleting positions, to be perfectly frank with you, and using technology in a better way.

That, effectively, is my general moan about it, but I will say something else and it is quite a fascinating use of language and terminology, when we talk about welfare benefits and allowances. If you are a single parent, you are on the welfare and Supplementary. Me, I am married, I have got two children, I have got a mortgage, but I get an 'allowance', because I am better. The States' housing tenant will get a Rent Rebate. Not me, because I am a house-owner, I get tax relief.

I have got some news for you boys and girls: you are all on benefits.

The Bailiff: Deputy de Lisle will reply to the debate.

Sorry, Deputy St Pier wishes to exercise his right to speak on the amendment before Deputy de Lisle does so.

Deputy St Pier: Thank you, sir.

I will be very brief, because I think those that have spoken have already spoken forcefully and well. It simply behoves me, on behalf of the Policy & Resources Committee, to explain the Policy & Resources Committee's position, generally, in relation to this. I know that Deputies Stephens and Le Tocq have spoken more specifically on the implementation of SWBIC proposals.

The Committee's position is really very simple. We have developed a Policy & Resource Plan process. We have identified this as one of our priorities. The States have made those decisions; there is absolutely no point in having that process if you are going to put a coach and horses through it with this kind of amendment.

The time for that has long since passed, for those that agreed or disagreed with the policy, that debate has already been had. The time, now, is to get on and implement that policy, whether you agree with it or not. The States have repeatedly supported these proposals, not least, as I say, through the Policy & Resource Plan process and, for that reason, if for no other, and there are plenty of others which other Members have spoken to, the Policy & Resources Committee strongly urges all Members to reject this amendment, sir.

The Bailiff: Deputy de Lisle.

Deputy de Lisle: Thank you, sir.

I could say, with respect to Deputy St Pier, that in some ways this is a bit of a back-door entry into the Budget this year, that might not have been noticed by many actually. It is the way it was put in and the way it had to be almost taken out.

That said, I also have to say that Deputy St Pier, himself, had said in the past that this was unaffordable and that he would not have put it into the Budget earlier, because in fact we were looking at trying to deal with the deficit and to make the Budget more sustainable into the future.

Deputy Roffey came first, with respect to giving credence to many of the points that I have put forward. He said, for example, he was concerned about the staff increase of 4.5 more staff, in order to run this integration of these two programmes. He understood, also, the resistance, if you like, from tenants and he also spoke about those worse off and that was difficult to swallow, from his point of view.

Also, he spoke about a large new tranche of people also eligible for new benefits, which was going to cost the taxpayer even more.

Deputy Stephens made the point that it was important to treat all under one set of rules. Of course, my point is that it costs to do that. I have to make the point that I am not in any way against paying Supplementary Benefit to those who are eligible for it and I am not against paying the rebate to those that are eligible for it. What I am against is putting these two programmes together and charging the taxpayer another £4.5 million to do it. That was the central point of my amendment.

I thank Deputy Lester Queripel for outlining a few of his concerns and his worry about the fact that costs could keep increasing into the future; £4.4 million annual costs. He is not comfortable with the 739 that will be disadvantaged. He speaks about Government policy wanting to enshrine inclusivity, a rationale, really of this States, and he speaks of hypocrisy, where we are saying one thing, perhaps, and doing another.

He also speaks of the fact that more civil servants will be employed in this task when, in fact, we are supposed to be looking very carefully at the Civil Service and trying to do more, if you like, with less.

Deputy Fallaize, of course, is an advocate of welfare reform, and he speaks very highly from that point of view. He makes the point that we are looking at a bargain basement welfare reform system. I, before, have had concerns about the whole welfare area, and its costs. I knock on doors, and so on and so forth, in my area, and people are concerned about the spending that this States is committing their pockets to.

In fact, in one of our previous debates, when the Supplementary Benefit and the Rent Rebate Scheme was £31 million, that was in 2012, it is now £35 million, that is before we add this other £4.4 million on, which will bring it up to £40 million, just for these two programmes, I noted then that it was a *per capita* charge, for every man, woman and child in this Island, of £500.

Actually, if you work it out on a household basis, each family was paying £1,250 at that time, in terms of Supplementary and housing costs. So it is no small amount. In fact, I would argue personally, that the only growth industry that we have in Guernsey at the moment is welfare.

You might say no, but it is true, we do not have anything else. And this is going up. It is the cost that is my concern, Deputy Fallaize; that is the main issue that I bring towards the Assembly.

I think it is important that we take responsibility, and it is important that a person like myself, and others, bring the point in front of the States that we have to rationalise our spending wherever possible on welfare, as well as other areas.

I thank Deputy Paint for his support, seconding the amendment, and he makes the point very clearly, where is the money to support this coming from? It is coming from the taxpayer, isn't it? The taxpayer, to be quite honest, has had enough.

You cannot go on taking and taking from the taxpayer and this is one concern that I have into the next few years, as we go on and on, taking more and more. Where does it stop? We have got to be a competitive environment. We have got to attract people here and the more we put charges up – the cost of living is already phenomenal here. People come on interview and despite the fact we have given them the job in education, they say, 'No, it is too costly here in terms of housing, in terms of the cost of living.'

I thank Deputy Graham for his kind comments.

Deputy Graham: Could I just make a point of clarification?

1535 **The Bailiff:** There is no such thing as a point of clarification. You can raise a point of order or a point of correction, or if Deputy de Lisle wishes to give way, he may give way.
So far, he has not done so.

1540 **Deputy de Lisle:** I do not think it is necessary to give way, sir.

The Bailiff: So, is it a point of correction?

Deputy Graham: It is a point of correction, because Deputy de Lisle is implying I was supporting him.

1545 I know what he is referring to, his use of the word 'wean', the lack of need to apologise for it. I am grateful for the opportunity to explain, very clearly, that I do not think the use of the word 'wean' is in itself offensive. What would be offensive is if, albeit inadvertently, Deputy de Lisle was characterising the vast majority of those who benefit from welfare payments under that term.

1550 **The Bailiff:** Deputy de Lisle.

Deputy de Lisle: Thank you, sir.

I used the term that has been used when I have been speaking on the doorstep with people; they have been using it. That they would like to see themselves off any benefits and they have felt very strongly that they would be worse off with the merger, than currently.

Deputy Le Clerc, she speaks of the third-time setback for SWBIC. As you know, SWBIC was supposed to come back with a leaner cost and, in fact, all that has happened is that the cost has been going up and up, rather than cutting back.

1560 I have not cut away benefits in Education. In fact, Education has always provided grants, in the past, for clothing and other assistance to children. However, if we want to get into that, I could say that Deputy Le Clerc has cut back on a number of programmes, with respect to people –

The Bailiff: I am not sure Deputy Le Clerc could do that on her own, could she, Deputy de Lisle?

1565 **Deputy de Lisle:** Well, her Committee, I should say, sir.

For example, we lost the TV licences for over-75s, saving £34,000 and a lot of pensioners are concerned about the Health Benefit Grant and the exemption from prescription charges.

1570 **Deputy Le Clerc:** Sir, a point of correction.

The Bailiff: Point of correction –

Deputy de Lisle: In terms of Deputy Green's point –

1575 **The Bailiff:** Deputy Le Clerc is raising a point of correction, Deputy de Lisle.

Deputy de Lisle: Yes.

1580 **Deputy Le Clerc:** Sir, through you, we have not cut back on the grants, because we are still paying the £12 and the £6 Health Benefit Grant.

There was another point that Deputy de Lisle raised (**Several Members:** TV licences!), the TV licences. Well, I will be talking about the TV licences in the Uprating Report tomorrow, but actually the BBC are taking over part of the TV licence costs.

1585 **The Bailiff:** Deputy de Lisle.

Deputy de Lisle: They will be bailing you out, yes. (**Several Members:** Oh!)

In terms of Deputy Green's point about Proposition 23, I would ask the Comptroller to assist with that particular point, perhaps.

1590 Deputy Le Tocq made the point of interesting things in the opening speech. A 'step on a journey' towards a fairer system. He is disappointed at the extra costs, but makes the point that it is costly to address the welfare system.

1595 Deputy Gollop sees that there may well be more losers than winners, particularly in the west, and that was essentially the message that I got from knocking on doors during the election period.

1600 If I may just sum up with a few points, with regard to the amendment? Merging these two programmes has been my concern. Supplementary Benefit and the Rent Rebate, which I feel is costly, totally unaffordable at this current time and unsustainable. The 2018 Budget calls for additional funding by taxpayers of £2.5 million from July, for the half-year, and it is anticipated £4.4 million additional cost by taxpayers in 2019, recurring year on year from then.

This is, of course, in addition to the £35 million current spending by taxpayers on Supplementary Benefit and Rent Rebate payments. The Committee wants to take on an additional 4.5 civil servants to run the benefits merger and there will be losers. It is estimated over 700 families will receive less than now.

1605 Taking away the housing rebate scheme and putting people on Income Support benefit undermines efforts many are making to take themselves and their families off welfare. There is a lot of negativity out there, over the SWBIC proposals, from social housing tenants. Many are alarmed at the intention to abolish the Rent Rebate – discounted rents to be replaced by Income Support.

1610 I thank Members for their comments with regard to this area of the Budget, which has been introduced at this time, and I would like Members to support the amendment.

Thank you, sir.

1615 **The Bailiff:** Members, we vote now on the amendment proposed by Deputy de Lisle, seconded by Deputy Paint, and I suspect there will be a request for a recorded vote.

Deputy de Lisle: I would like a recorded vote on that, sir.

There was a recorded vote.

Not carried – Pour 3, Contre 34, Ne vote pas 0, Absent 3

POUR

Deputy Lester Queripel
Deputy Paint
Deputy de Lisle

CONTRE

Deputy Ferbrache
Deputy Kuttelwascher
Deputy Tindall
Deputy Brehaut
Deputy Tooley
Deputy Gollop
Deputy Parkinson
Deputy Le Clerc
Deputy Leadbeater
Deputy Mooney
Deputy Trott
Deputy Le Pelley
Deputy Merrett
Deputy St Pier
Deputy Stephens
Deputy Fallaize
Deputy Inder
Deputy Lowe
Deputy Laurie Queripel

NE VOTE PAS

None

ABSENT

Deputy Meerveld
Deputy Smithies
Deputy Brouard

Deputy Hansmann
Rouxel
Deputy Graham
Deputy Green
Deputy Dorey
Deputy Le Tocq
Deputy Dudley Owen
Deputy Yerby
Deputy Langlois
Deputy Soulsby
Deputy de Sausmarez
Deputy Roffey
Deputy Prow
Deputy Oliver
Alderney Rep. Jean
Alderney Rep. McKinley

1620 **The Bailiff:** I can now announce the result of the voting on the amendment proposed by Deputy de Lisle, seconded by Deputy Paint.
There were three votes in favour and 34 against, I declare it lost.

**Procedural –
Filming of the States**

The Bailiff: Members, can I just inform you that, during the course of this morning, I have received a request from *Sky News*, who have asked if they could film a few minutes of the States of Deliberation, after the lunch recess, at 2.30 p.m.

1625 That request has been passed to me by Deputy St Pier who tells me that, on balance, he supports the request. I have agreed to do so.

You will be aware that the locally based media all have their stock footage of the States, which they use from time to time. Clearly, *Sky News* are not in that position, so I see no reason why they should not be put in the same position.

1630 I hope the locally based media are listening: I do not wish to give any preference to any one media organisation. If any of the locally based media wish to come in this afternoon and film, they may do so.

1635 I do have the authority to give this permission, because that is under Resolution 5, approved by the States on August 1st, 2014. Resolution 4 agreed that any media operation, wherever based, could broadcast live television pictures and recorded extracts of any public proceedings of the States, but only subject to terms and conditions of any contract agreed by SACC.

1640 As we know, no media organisation has been able to agree any terms, so there can be no broadcasting of live television pictures, or even recorded extracts. But, under Resolution 5 of that meeting, I can give permission for photography, whether still or moving images, to be taken, and we do that periodically, as you will be aware, for example, after a general election or when there have been certain changes in the constitution of, particularly, the top bench.

1645 So, under those powers delegated to me, I give permission to any media organisation that wishes to do so, to film a few minutes at 2.30 p.m., but it will not be filming any debate, because I cannot give that permission. It will just be footage and it will be on condition that filming does not start until the States are all assembled and that the cameras are removed after a few minutes, when they may leave.

So, that will be the position at 2.30 this afternoon.

**States of Guernsey Annual Budget for 2018 –
Debate continued**

We move to amendment one, to be proposed by Deputy Roffey and seconded by Deputy de Sausmarez.

1650 Deputy Roffey.

Amendment 1.

The States are asked:

To insert new propositions 14a and 14b:

'14a. To agree that Resolution I.29 of Billet d'État No. IV of 2015 shall cease to have effect at the end of 2017. 14b. To change the eligibility for claims to the Age-related allowance to 'persons aged 69 years or over at the commencement of each year of charge)', where the allowance was not claimed in relation to the previous year of charge, with effect from 1 January 2019.

And to replace the table in the First Schedule of Proposition 14 with the following:

NATURE OF ALLOWANCE

Personal Allowance^*

Age-related allowance^*

AMOUNT OF ALLOWANCE

Tax at the standard rate on £10,400.

Tax at the standard rate on £1,500 for persons aged 64 years or over at the commencement of the year of charge.

*Dependent Relative Allowance**

In respect of each dependent relative - tax at the standard rate on £3,350 or on the amount of the contributions whichever is less:

Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £7,050 the allowance shall be reduced to tax at the standard rate on such sum as remains after subtracting from £3,350 the sum of £1 for every pound by which the dependent relative's income exceeds £7,050.

Provided further that if any Family Allowances are payable in respect of the dependent relative, the allowance shall be further reduced to tax at the standard rate on such sum as remains after subtracting from £3,350, or such lesser sum as remains after deducting from £3,350 the sum of £1 for every pound by which the dependent relative's income exceeds £7,050 the sum of £279 for every month in the year of charge for which such Family Allowances are payable.

*Infirm Person's Allowance**

Housekeeper Allowance

*Charge of Children Allowance**

Tax at the standard rate on £3,350

Tax at the standard rate on £3,350

Tax at the standard rate on £7,050

*Retirement Annuity Allowance**

Tax at the standard rate on a sum equal to the qualifying premiums or contributions.

Deputy Roffey: Thank you, sir.

This time last year, in the Budget debate, Members of this Assembly rightly rejected a proposal from P&R to phase out age-related tax allowances even more quickly than they had been agreed by the previous Assembly.

They wanted to do that by denying them to any new applicants. Now, we made that decision by a whopping 27 votes to 11 and, in historical terms, that was a very big defeat for a Budget proposal from our senior Committee. But, for some reason, we did not choose to go further and scrap the extant Resolution to phase out the allowances at all and I wonder why not. After all, the clear implication of last year's vote was that we, collectively, simply did not accept the argument that such allowances no longer served a vital social purpose.

So the rational extension of that vote would, indeed, have been to overturn the woefully misguided decision of the last Assembly to scrap this very long-established policy of our Government, of giving slightly higher Income Tax allowances to elderly Islanders.

I suppose I was as guilty as anybody. I was one of those who argued, most strongly, not to accelerate its demise, to accelerate its removal, but I did not place an amendment to rescind the Resolution to remove it at all, over time. Maybe I just copped out. I picked my battles. I focussed on the mischief that we were being asked to vote on, on the day, rather than trying to overturn the mischief which had already been perpetrated by the previous States. Other Members did the same and today I really want us to put that right.

I want us to agree not with the last Assembly, but with the very many Assemblies before them, who could see the strong, logical, sensible argument for giving slightly higher Income Tax allowances to the elderly, to recognise their higher cost base, their higher cost of living.

But I want us to do that in a form which is both appropriate and affordable in the modern world, because I do accept that individuals typically become 'elderly' later than they did back in the 1960's and 1970's. And I also accept that, with a higher percentage of older Islanders than ever before in our population, affordability is a real issue too.

Notwithstanding all of that, though, the central rationale for age-related allowances, which is that some costs inherently impact more on the elderly than they do on the rest of us, has not changed one iota.

I am going to try and explain those costs in a minute. But first, I want us to reflect for a few minutes on who this mean-spirited policy of the last States is really impacting on.

For decades, we have all heard that clichéd argument rage: pensioners explaining to their Deputies how hard it is to live on the States' Old Age Pension alone and inviting those Deputies to have a go themselves, if they think it is so easy: 'You come and live on my pension.'

Back comes the answer from Social Security, or the States' Insurance, before them, saying that the States' pension was never designed, of itself, to be enough to live on and that Islanders really should try, if they can, to make their own provision on top of it. Thousands heeded that message, even though it was not easy if you worked in the tomatoes or some similarly modest-paid work, but they did what they could to make some provision for themselves.

A few were lucky enough to have an occupational pension, to supplement their States' pension, but unless they were in well-paid employment, in management roles, often that second pension only amounted to a few thousand pounds a year. So how does that play out now?

It means that, with the Old Age Pension, the States' one, due to be just over £11,000 next year, assuming we approve the proposals tomorrow, or Thursday, whenever it is, those who have made the effort to try to provide a little for their own retirement, there are many, many of them living on incomes of £13,000, £14,000, £15,000 a year. Not a fortune, by anybody's calculation.

But if we continue with this wretched policy, they will see their tax allowances, the point at which they start to pay tax, frozen for the fourth year in a row. But of course, in real terms, they

are not being frozen at all; rather, those allowances are being reduced. They are being eroded every year, in real terms. If we agree to the proposal as it stands in the Budget Report, we will have slashed the tax allowances of the over-65s, by about 8% over those four years.

1705 At the same time, those of us that are under-65 will actually have seen our allowances go up, quite significantly, in real terms. Now, I do not know about other Members, but as somebody who is under-65, that makes me squirm in my seat a little bit. I feel, to use the word of the day, a little bit hypocritical. I just cannot defend it.

1710 But it gets worse actually. The logic of this policy is that the total tax allowances given to elderly Islanders will stay frozen at £11,400, for a fifth, a sixth and maybe even a seventh year, while the Universal Tax Allowance that everybody gets catches up. Why is that relevant? Because, if we have any significant inflation or wage growth over the next year or two, then it is quite likely that, under the formula we have agreed, the Old Age Pension will rise from just over £11,000 planned for the next year to a level where it is higher than the frozen tax allowances that we give to pensioners.

1715 It only has to go up by a little less than 3.5%, which I suggest over the next couple of years is really very likely.

1720 So, on one hand, we will have the mantra from Deputy Le Clerc, who is returning to the room, that the Old Age Pension was never designed to be enough to live on by itself. Indeed, she will be bringing proposals to try and encourage everybody, unless they opt out, to have a second pension. Jolly good thing. So we will be telling people: 'Do not expect to live on your pension by itself.'

1725 But, on the other hand, we will be saying to all of those Islanders who do only have their Old Age Pension to live on and nothing else: 'I think we will take a little bit of that back in Income Tax, thank you very much, surely you do not need all of that?' What kind of mixed message is that? What kind of muddled logic can that possibly be? Somebody will say: 'What about wealthy pensioners, why should they get these extra allowances?'

It is a good point, but let us be consistent. There are lots of younger, wealthy people too. But we are not proposing to freeze their allowances. Everybody under-65 still gets those allowances. Well, not quite, I will come back to that in a minute. So, why bash the elderly?

1730 Yet, I do know, of course, that we have moved so that very high earners indeed now do have their allowances phased out. But that applies just as much to the over-65s as it does for the under-65s. So, if you are only worried about people right at the top end of the wage scale, or the income scale, getting it, then you should be consistent.

1735 However, despite having said that, let me say here and now that, if P&R wanted the age-related allowances to be more focussed, to taper them out for wealthier pensioners, they would get no resistance from me. In fact, if it only applied to those on, say, £30,000 or £40,000 a year or under, we could actually afford to make them more generous. But, that is not the kind of complex measure that can be done by amendments.

1740 If the objection to treating the large number – and we have a very large number – of low-income pensioners in this Island properly is that it also happens to help a small number of high-income pensioners, then I would say to P&R, through you, sir, it is in your hands to address that.

1745 Others may ask what about those working at a younger age, who are on similar incomes to the pensioners I have just been talking about? The £12,000, £13,000, £14,000, £15,000 a year, just a bit more than a States' pension. The answer is that there are not very many. There are certainly lots of people in in-work poverty. You would not expect me, particularly at this juncture, to deny that. But, even an £8-an-hour, on a standard working week, relates to just under £17,000 a year. A more typical low wage in the Guernsey context is £10 an hour, relates to £20,000 a year.

1750 As I say, I am the last to dismiss the issue of in-work poverty. But, the very low incomes that we are talking are simply far, far more prevalent amongst pensioners than they are amongst younger people.

The real point, and the reason that these higher allowances existed in the first place, is that older people face higher costs. We all know, it has been the flavour of the month recently, how

shamefully expensive medical treatment can be here in Guernsey. Well, the elderly simply tend to need far more of it – not just GPs, but the chiropodist, the dentist and so on. It is an unfortunate fact that evolution has instilled built-in redundancy to many of our body parts, so that when they reach what was regarded, some time ago, as our natural span, they start to go wrong and often need attention, or even replacement.

When it comes to heating, not only with a typical 75-year-old – I know there are some atypical 75-year-olds, but the typical 75-year-old – feels the cold far more than a typical 35-year-old; but they also tend to spend far, far more time in their home and that tends to push up the cost. Somebody of working age, I was going to say they went to work and their employer keeps them warm, but having sat in the fridge that is the States' Chamber, I am not sure that is universally true! (*Laughter*)

It goes on. In their prime, most people would carry out small jobs around the house themselves. They do DIY. As they get older, many of them feel the need to buy-in the services of a tradesman, because they are not able to do everything that they used to be able to do. They are not as handy as they were.

Now, none of these costs are universal. I expect that Deputy Graham does not qualify for any of these comments, but the majority of elderly Islanders do. I could go on and on, but you get the picture.

Deputy St Pier, this morning, said the way to address this is not through the tax system, it is through welfare. No, absolutely not. I hope I showed this morning, there is no bigger supporter of having an adequate and good welfare system than I am. But if you think you are going to pick up everybody on modest incomes, who really need a bit of extra help, through the welfare system alone, you are fooling yourselves.

I will use that word again. No, I will not, because I do not like 'hypocritical'. But I will say we have dual standards here. During the opening speech, I think it was the bit that Deputy St Pier read out, not the bit that Deputy Trott read out; he lauded the fact that we were going to have a 5% increase in our basic allowance and he said this will be particularly helpful for people on low and modest incomes.

So he is trying to help them, through the tax system. Why don't we scrap the basic tax allowance of £10,000? Why don't we all pay 20% and pile it into a welfare system for people under-65 as well? He is nodding, but I do not see it coming forward in his term of office.

There are dual standards here. If you are elderly and poor, then it has to be the welfare system that picks you up. If it is general, then look how we are doing, we are putting up allowances, we are helping the less well off. There is no logical consistency coming through that argument, at all.

I think I have probably said enough, particularly with lunchtime approaching and *Sky* on the horizon to explain why I do not want to scrap age-related tax allowances. (*Laughter*) Briefly, let me explain why I do want to put up the qualifying age for new claimants. Three basic reasons.

Firstly, as people live longer than they did just a few decades I go, as I said earlier, the age at which they become elderly in the sense that they incur the extra costs I was talking about before has simply gone up. I do not think that applies to the 65-year-old any more. I have to say that, I am not that far away.

Secondly, in just over two years' time, I think people have almost forgotten about it, we are going to start putting up the state pension age and it would seem to me perverse to give these allowances to people that were below the state pension age.

Thirdly, as our demographic ages, we will simply have far more older Islanders, so there is the issue of affordability.

I would rather do something meaningful for the age cohort who really needs it, rather than spreading those resources too thinly over those two dates.

Is this unfair on those who would have qualified for these extra allowances in two or three years' time, but will now have to wait a year or two longer? Not at all. They will be an awful lot better off, because under the current policy those allowances will disappear and be completely

phased out within two, three or four years. It depends how quickly P&R can actually put up the basic allowance until it catches up with the £11,400.

In short, I ask Members not to be overly influenced by talk of wealthy pensioners. If P&R want these allowances not to apply to them, the remedy is in their own hands.

Instead, I ask Members to think about the really huge number of pensioners on £12,000 to £20,000 a year. Far poorer than most of us, yet their Income Tax allowances, we are being asked today to freeze for a fourth successive year – to bring them down by 8% in real terms and to carry on with that next year and the year after. It is not fair. It is time that this financial elder abuse stopped.

This amendment allows you to do so, whilst still guaranteeing a second year in succession of real terms tax allowance increases for the general population and at no overall extra cost. In fact, there will probably be a saving, because it is cost-neutral for 2018, but in 2019, because there will be fewer people qualifying for what will still be existent extra allowances for the elderly, we are actually probably saving the Exchequer a small amount of money.

I invite all Members to vote for this amendment but, in particular, I say to the magnificent 27 who voted the right way last year that logic really demands that you should support it.

Please do so.

The Bailiff: Deputy de Sausmarez, do you formally second the amendment?

Deputy de Sausmarez: I do, sir, and reserve my right to speak.

The Bailiff: We will rise now and resume at 2.30 p.m. and, I repeat, any media organisation who wishes to do so may attend to film either live or still pictures at 2.30 p.m.

*The Assembly adjourned at 12.32 p.m.
and resumed at 2.30 p.m.*

States of Guernsey Annual Budget for 2018 – Debate continued

The Bailiff: Well, Members, we will resume debate. I remind you that we are debating the first of the amendments, the one conveniently numbered amendment 1, proposed by Deputy Roffey and seconded by Deputy de Sausmarez.

Deputy St Pier, do you wish to exercise your right to speak at this point in the debate?

Deputy St Pier: Yes, please, sir.

The Bailiff: Deputy St Pier.

Deputy St Pier: Mr Bailiff, at first glance many may find this amendment superficially attractive and consider it to be fair. I have no doubt that it will be popular amongst a certain demographic, (*Interjections*) both within and outside this Assembly. But being popular with a certain group does not, of course, of itself make it good policy.

Let's be clear, this is a classic intergenerational transfer. In order for older people to be able to receive more, younger people must receive less.

When you realise that an individual receives a higher personal Income Tax allowance just because they reach an arbitrary certain age then you will realise that this amendment is merely seeking to perpetuate an historic intergenerational inequity in our system of personal Income Tax allowances – an inequity which the States Assembly has previously recognised, and resolved should be phased out. That Resolution was made in April 2015, following consideration of the Personal Tax, Pensions and Benefits Review. The following was included in that review:

'An extended tax allowance on the basis of age is inequitable, positively discriminating in favour of older people but not targeting those most in need. It also slightly increases the reliance of income tax revenues from the working age population.

1850 A point which Deputy Roffey conceded in his speech.

'Being of retirement age does not necessarily mean a household is in need of additional assistance. There are many pensioner households in Guernsey with a very comfortable income or assets.

Deputy Roffey said that there are far more low income pension households. I am afraid this is simply not borne out by the facts. In fact his speech was really devoid of facts being largely based on an emotional argument.

1855 It is estimated that 40% of over 65 households have a net income that is equivalised, in other words adjusted to enable comparison from one household to another, 40% of over-65 households have an income of over £40,000, with 20% having an equivalised net income of over £60,000. It is estimated that a large percentage of over-65s, more than 60% of single over-65s, and more than 80% of over-65 couples, are home owners, who have paid off their mortgages and therefore have no significant housing costs.

1860 Deputy Roffey said that there was no logical consistency in what had been presented. He conveniently ignored that those over 65 already have higher allowances. He presented his argument with no irony, the case for raising the age, ignoring that those under 70 who he claimed would need higher allowances.

1865 It is estimated that 40% of over-65 households have a net income of the £40,000, but on the other hand, when the lowest income of over-65s is looked at, typically with those with little or no private pension provision, who are heavily reliant on the States' pension, they may not have an income high enough to reach the Income Tax threshold, and therefore will receive no benefit from it, or from this amendment. It is estimated that 25% of over-65 households will fall into this category. So, in essence, close on 85%; 85% of over-65 households, either have too much or too
1870 little income to benefit from this amendment. That is an incredibly inefficient targeting of the taxpayers limited resources. The average equivalised net household income, after the exclusion of housing costs, for two adults over 65 is £28,000. That is only £3,000 a year less than the median income for the community as a whole. But this is also nearly 20% more than the equivalised median income for a working age adult living alone, and more than twice as much as the
1875 equivalised median income for a single parent family.

The irony that this amendment is moved by the Deputy who is leading the Scrutiny Management Committee's panel on in-work poverty should not be lost on anyone in this Assembly.

1880 We should not, as this amendment would do, remove £100 of tax allowance from working families to give an extra £450 allowance, or £900 for a couple to those over 65, without clear and demonstrable need and benefit, which is simply lacking.

There is absolutely no evidence, contrary to Deputy Roffey's contention, to support what he presented under-pinning the amendment, that those over 65 or even over 70 have higher spending needs, so requiring a higher tax allowance. Indeed, when you look at the 2011-12
1885 household expenditure survey, as of course you would expect, as alluded to earlier, on average over-65s spend less on housing and education, but also, and perhaps counter intuitively, they spend less, on average, on health, which, of course, is perhaps because prescription charges are free for that group.

1890 So, instead of emotional populist supposition, let's look at the facts. A family with two school age children spend on an average of 70% more on food than an over-65 couple. On average a person over 65 spends only £40 a week on rents and mortgages, compared to an average of £187; that is three and a half times as much, for a single working age adult living alone. Couples over 65 spend 38% more on package holidays, including cruises, than couples with children.

So do not be fooled, this amendment is neither needed, nor fair. It is absolutely clear that a universal entitlement to an additional Income Tax allowance is a totally inappropriate mechanism to target assistance to those over-65s who are most in need.

The best means of achieving that is, I am afraid, through the benefits system, where assistance can be effectively targeted. Of course, the introduction of the Income Support Scheme will ensure that those members of our community with the lowest income will have those incomes increased to the minimum levels recommended by the Social Welfare Benefits Investigation Committee and approved by this Assembly. These Income Tax top-ups, and access to assistance with medical and other related benefits, will make real improvements to the lives of those individuals and families.

Sir, this amendment is unnecessary, it is ill-founded and, yes, it is unfair. It discriminates based on age, rather than need, and promotes the continuation of intergenerational inequity.

In other words, it transfers wealth from the young to the old, from the working to the retired. Remember this, if you remember nothing else from my speech, in order to give 6,324 over-65s an additional £450 allowance, or £90 for a couple, 23,439 under-65s will lose an allowance of £100 each.

I strongly urge Members to reject this amendment

Several Members: Hear, hear.

The Bailiff: Deputy Ferbrache.

Deputy Ferbrache: Sir, I am one of those who is over 65, and I am one of those 20% with an income of over £60,000 per annum, and I offered myself to Deputy Roffey to second his amendment, but he said he thought he had somebody who was under 65 who would be better to second it. *(Laughter)* I accept, because I am plausible and reasonable that the seconder is under 65.

But, in connection with that this is not unfair, it is not prejudicial, it is not anything, and the last person, I think the last people, the proposer, the seconder and me, that would want to transfer wealth from the old to the young are usury, because it is unfair in lots of ways that the young generations have not had the opportunities and are not, in the present circumstances, going to have the opportunities that my generation had.

But, when you look at the statistics, you can add up all the arithmetic you like, and even on Deputy St Pier's statistics there are still 15% of pensioners, if you take away the 85%, who are in that category who are suffering. Now, I do not know where we get all these statistics from, because there are statistics, statistics and statistics, and I think we may hear something in due course, in the next few weeks, that the way that we have calculated our gross domestic product is not necessarily accurate. So always have regard, always have regard to statistics.

If you are a pensioner, and I know lots of pensioners, I do not know what the percentage is, but I know lots of pensioners that live on their old age pension. They live therefore on £10,500, £11,000 a year, whatever the precise figure is. That is if they have made a full contribution. But, of course, the pension – and I know Deputy Dorey who is the archivist in relation to all of these matters will remember it, but I do not think it was a compulsory, we did not have an old age pension scheme introduced until the early 1950's, it did not become compulsory until sometime later. So there are a lot of people who are living on less than a full-time pension.

Now, what we should do, as a society, is get rid tomorrow, not over a period of time, of allowances for people who do not need them. **(A Member:** Hear, hear.) Get rid of the allowances for people like me, and some of the other Members of this Assembly, who do not need that allowance. Get rid of it for the advocates, and accountants and doctors who do not need that allowance, because they can live without it. Get rid of some universal allowances, **(A Member:** Hear, hear.) and give them to those people who need them. That is what we should do, we should encourage house building, we should encourage shared ownership, we should encourage lots of things for young people to give them the opportunities that they deserve. We should encourage

for the young people an environment that is proactive, that is business centred, because if you do not have a business centred economy you are going to affect the poor, because the rich will always live somewhere and do well.

My very able colleague, Deputy Le Clerc, made a speech this morning which was commendable but was inaccurate in one regard, if I can respectfully say so; she talked about we have not got a struggling economy, yes, we have got a struggling economy. We might be able to put money in reserves, we might be, by other people's standards, doing very well, and I accept that completely. When you go to places like Bangladesh or India or Bhutan you see a different kind of world. But looking at our own economy, and looking at our own situation, we have an economy that needs a 'zoomth', that needs some impetus.

That impetus, if it is given by this Assembly in due course, will help the poor, because money circulates. Therefore people are earning more money, there is more money available to pay taxes, there is more money to spend, there is more money that encourages people to invest and otherwise. But to say, as Deputy St Pier has said, the statistics say that, the statistics say this, and the statistics say the other, it is not living in the real world. It is the world of the sociologist, liberal, Hampstead-type person who does not know a real working class person unless they kick them up the backside. That is what it reminds me of, frankly. So get rid of those statistics.

Deputy Peter Roffey and I may not always be aligned in relation to social policy, and in relation to our political ethos, but we are here, because what he said makes sense, and we should protect the old people. Not old people like me who can look after ourselves, but the old people in our society who cannot look after themselves and who do worry whether they can put their central heating on, do worry whether they can go and have groceries for seven days a week, and do worry whether they can afford healthcare.

The Bailiff: Deputy Soulsby.

Deputy Soulsby: Just very briefly, on the back of what Deputy Ferbrache just said, I think it has to be said that both Deputy Roffey and Deputy St Pier are right: you could look at it from both angles and say one part of the population needs higher allowances because it is difficult for them to live. Deputy St Pier said well another group of people are finding it difficult to live so they need greater allowances, but really at the end of the day it is on Deputy Ferbrache's lap to actually boost the economy so people on neither side are struggling and we can raise the income generally across the States.

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Yes, sir. I do think that Deputy Soulsby is right that there are problems on both ends and it depends which perspective you are looking at it.

The amendment, as it is laid, would have a detrimental effect on the generation x particularly, and I think it is beyond doubt, even my late father-in-law said, soon after I had married his daughter, that we would probably be the last generation to do better than their predecessors. Part of that problem is the fact that we are living longer, and yet in terms of costs and in terms of income those have not changed. Sir, whilst we can have sympathy with this amendment, I do not think this is the right place to deal with it, because it deals with one issue and does not deal with the issues that have been raised by Deputy St Pier, and others. Therefore, I think, sir, as part of the ongoing review of contributions and benefits and taxation we need to put it into that perspective. Whilst some of the logic can make sense here in a piecemeal way, it is not the time to be doing this sort of thing at this current juncture.

The Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, sir.

I just want to declare that, obviously, if this amendment passes I think there might be some benefit to me, I have not worked it out yet.

2000 The other thing is, I am going to support this amendment, Deputy St Pier mentioned one word, 'discrimination'; there is a difference between positive discrimination and negative discrimination, so on its own the word 'discrimination' has to be modified. If it is positive, that can be very helpful.

2005 I agree with Deputy Roffey when he said the way to deal with this, in fact, as Deputy Ferbrache also said, is to remove the allowances up the scale. It is a fiscal policy which needs to come into force here, and it will to some extent because 20 Means 20 would remove this benefit from everybody in that bracket, old or young.

2010 So at the end of the day I must say this: 15% that do need it; I would rather preserve that now, and then look at how fiscally you could readjust taxation, so that those who do not need it do not benefit from it.

Thank you, sir.

The Bailiff: Deputy Fallaize.

2015 **Deputy Fallaize:** Thank you, sir.

Deputy Ferbrache, in a slightly Trumpesque speech, was, I think, slightly unfair on the use by Deputy St Pier of statistics, because, he did not really present any evidence to counter what Deputy St Pier had said.

2020 Now, I agree we ought not to rely too much on statistics, but I think that we do need to try and base our decisions on some kind of evidence rather than, to misquote Aneurin Bevan, an emotional spasm. He also, when he spoke, tried to turn this into a debate about who has more compassion for elderly people who are in need of financial assistance, implying that those who support the amendment have a better understanding of the need for financial assistance to some of those who are elderly, than those Members who will be opposed to the amendment. Now, I do not think that was quite fair.

2025 What Deputy St Pier was saying was that it is important that the States target financial assistance at those who are in the greatest need, and the most effective way of doing it is through the social benefits system.

2030 It seems to me what Deputy Ferbrache, and Deputy Roffey, and Deputy de Sausmarez, and others are arguing is that a very effective way of doing it is through tax allowances. Well, I do not think their argument stands up to any sort of scrutiny.

Clearly, increasing universal tax allowances, or flat universal tax allowances, is expensive. It does mean that many people, who do not need the additional benefit, or the additional assistance, receive it.

2035 I think what Deputy Roffey's argument seems to hinge on, is that people – he called them elderly several times – perhaps that was slightly less unreasonable than it might have been, because he is trying to push up the age at which the allowance kicks in from 65 up towards 70, but even then, I think there are many people in their 70's and early 70's who would object to being referred to as elderly. Deputy Graham is probably only one.

2040 But the point that Deputy St Pier is making, and I think it must be right, and he has backed it up with evidence, which Deputy Ferbrache could not counter, and I doubt Deputy Roffey can counter, that elderly people, as Deputy Roffey calls them, people over 65 or over 70, do not necessarily have higher living costs than the rest of society. It depends on their lifestyle. You cannot make a judgement about living costs, or indeed, about financial assistance, based on a person's age. You can only do it based on their financial circumstances.

2045 So I am very much in favour – as I think I tried to emphasise this morning in the debate on Deputy de Lisle's amendment – of getting as much financial support as possible to the people who need it most, and, if possible, I would like to get more financial support to them, and to a larger, greater, range of them that the Income Support Scheme is able to do, within the financial

2050 envelope agreed by the States. But tax allowances are not an effective way of doing it. They are not cost effective.

I mean, I feel that generally about tax allowances – we might come on to that when we get into general debate – but certainly an age related tax allowance which is higher than the universal allowance has no sort of basis in logic whatsoever.

2055 Deputy Roffey has always been attracted to it from when he was previously in the States, but that does not automatically mean that it was right. I think the last States were correct to try to equalise tax allowances. We can have a debate about whether the additional age related allowance should come down more quickly or the universal allowance should go up more quickly, but it seem to me that, surely, from a logical policy basis, having a single tax allowance for every taxpayer, I would say every taxpayer in a purist sense, so that independent taxation properly means independent taxation – but that is another matter for general debate – but, surely, everybody should receive the same personal tax allowance; and operating a higher tax allowance and then basing it on age is no more sensible than operating a higher tax allowances and basing it on household house, or educational attainment. One could pick any number of different factors that one could take into account when determining a tax allowance. But under our fiscal framework, surely, it is better to have a universal tax allowance for every taxpayer because if we do what Deputy Roffey is suggesting, we will, of course, reverse the whole idea of equalising tax allowances, and on the basis of absolutely no evidence whatsoever, we will have maintained an age related additional tax allowance.

2070 The correct way of getting the right amount of financial support to the people who need it most is through the benefits system; it is not through tax allowances. And incidentally, the more income foregone by the States in unnecessary tax allowances, the less money available for the benefits system to direct to the people who need it most.

2075 **The Bailiff:** Deputy Paint.

Deputy Paint: Sir, one item that has not been explained in this thing, is that people who have worked very hard managed to pay additional pensions to the old pension, like I have, occupational pensions, have in general paid much, much more social insurance than everybody else that is on low pay, but they only get the same old age pension as anybody who has not done so well, so they have financed through paying more pensions for those that have not done so well. So that has not been explained yet.

2080 So there is a movement, I believe, by Deputy Le Clerc to get more people to get occupational or other pensions for the future. Some of us have already done that. If you discriminate between the two old age pensions you are still giving more, you have paid more already, and you are already giving more to assist others. Is that right, is that fair? I do not think it is.

Thank you, sir.

The Bailiff: Deputy Gollop.

2090 **Deputy Gollop:** Sir, we have heard some fairly strong speeches from the usual, or some of the usual, senior figures, who are experts on social policy, and they have given arguments like, well, Deputy Le Tocq said, 'Do not do things in a piecemeal way, look to the overall strategy.' Deputy Fallaize said look at the logical policy outcomes, and Deputy St Pier really said look at the statistical evidence to back up at a case. Well, all of those arguments are precisely the reason why I want to support Deputy Roffey's amendment. Because I do not want that kind of politics; I want politics that is more gesture based, (*Laughter*) that is more immediate, that appeals to people instantly.

2100 I think the problem with this States, and its predecessor, is it does not know how to communicate with people, especially, perhaps the older generation. Deputy Lester Queripel ???14:57:48 that perhaps. There is nobody in this Assembly who has done more, individually, to go

round and see older constituents, and others, and help them with energy bills. Now, that is not the full answer to their welfare needs, nor would we pretend that it is, but I think that we have not been good – whether President Trump would support this or not – in actually sending out a message to the older generation.

Let's look back – somebody mentioned the Pensions, Tax and Benefits Reform that I was involved with, but didn't that give a potential hit to the elderly? There was talk of £1 prescription charge on each item. The doctors' fees, the part payment of £12 and £6 for nurses might go, or might have gone at that point. Then, of course, the TV licence disappeared. This Budget includes above inflation busting rises on TRP for all those happy elderly home owners. It is never ending.

I do applaud what Deputy Soulsby and other members of Health & Social Care are doing with, perhaps, a more pro-active strategy towards long-term health issues. When Deputy St Pier mentioned obesity, I thought I could be maybe the States' model to flag up the healthy weight programme. But, nevertheless, the reality is that maybe the younger generation, as a generalisation, have got more fitness orientated with exercise, with perhaps a less lovey-dovey relationship with the private car, perhaps smoking less and drinking less than the good, or perhaps not so good days of the 1960's 1970's and 1980's. But many of the survivors who are older people now, enjoy those things, and they are going up again, in some cases above inflation.

I cannot see the sense in, effectively, going back on our faith in the elderly population. Deputy St Pier said, and other Members, that we should not have a taxation system based upon age, because it is illogical, because it does not target real need, or those with the greatest or least incomes, but, surely, having age related allowances at all is part of that. If you wanted to be logical about this you would introduce a policy that abolished tax allowances for people regardless of age, according to their real needs.

So I think that we should support Deputy Roffey's moves to, effectively, give a better balance, because there is a rather unbalanced element in this Budget relating to pension, that we are reducing the amount you can put in tax free from £50,000 to £35,000. I find that interesting because it goes below Jersey and the UK, and seems to contradict the good work we are doing on secondary pension provision.

I will come on to general debate later, on other elements in the Budget, but I think just to unfairly target Deputy Roffey's amendment as being perhaps not relevant is unfair of Policy & Resources.

The Bailiff: Deputy Inder.

Deputy Inder: Sir, I just want to move guillotine motion 26(1).

The Bailiff: Well, anybody who has not yet spoken in the debate, will they please stand in their places if they wish to do so.

Deputy Inder: I will withdraw that, sir.

The Bailiff: You will withdraw that.

Deputy de Sausmarez, the seconder, will speak.

Deputy de Sausmarez: Thank you, sir, and thank you, Deputy Inder. I promise I will not be too long.

I suppose I should start with a declaration as that is the trend of the day. I declare I am in my 30's, I believe I am ... am I generation x? I am not sure. Anyway. It is also not often I am accused of being a populist, so this is quite unusual.

As we have heard, in 2015 the previous Assembly decided to phase out the age related allowance. This mirrored an approach adopted in the UK by the coalition government in 2013 – a move that seems primarily motivated by a desire to simplify a rather complicated tax system.

Now, that was not a pertinent factor for us here in Guernsey, of course, but looking at it, it is hard to discern exactly what the motivation was. I can understand the superficial attraction of the equity argument, as outlined by Deputy St Pier, but it just feels fairer for all ages to be on an equal footing, especially when images of wealthy pensioners and struggling single mothers are juxtaposed, for example. I can understand why Members of the previous Assembly voted for it as a result. However, I just do not think this argument stands scrutiny.

In the 2015 policy letter, it devotes just three short paragraphs to the proposal, making the following points. Firstly, age is not necessarily an indicator of either income level or costs; secondly, the provision of a larger tax allowance solely on the basis of age is inequitable; and, thirdly, that balancing taxation between those of working age and those of retirement age will make a small reduction in our dependence on the working age population. So that was it, the justification of phasing out of the age related allowance in its entirety.

The first point was that age is not necessarily an indicator of either income level or costs. Well, age is certainly not an indicator of income level, we have heard plenty to justify that. It is true, and arguably irrelevant. But, as Deputy Roffey has already explained, age does, in fact, have a direct effect on the cost of living. He spoke about the increased cost of health care, the increased cost of maintaining and heating a home, and the fact that older people spend more time at home, for example. I am actually going to just elaborate slightly on this point because we have heard several people stand up and say that age is not a direct factor in the cost of living, and I strongly disagree. In fact, in some ways it is quite counter intuitive.

Deputy Roffey might have wanted to mention that with the decline of mobility. For example, many older people can no longer manage the walk to the bus stop, so they need to depend on taxis. That is something that can have quite an impact on the weekly budget of the average pensioner. There are some hidden costs that I found quite surprising, talking of people, for those that live on their own, even cooking for one can be less cost effective, something that had not even occurred to me until a recently widowed pensioner pointed out the loss of economies of scale. My supermarket does not sell mince in anything smaller than 500gm packets she explained, by way of example, and no matter how much I like cottage pie on a Monday I never want to see it again by its fifth appearance that week on a Friday. I have started buying ready meals for one. They are a lot more expensive but a lot less soul destroying. These are just small illustrations of the many different ways in which age does have a direct effect on the cost of living, which in itself is a valid justification of a slightly higher Income Tax allowance for older people.

This cost of living was, in fact, the original reason that age related allowance was first introduced in the UK, back in 1925 by that well-known very illogical Chancellor of the day, Winston Churchill.

Back in the 21st century, though, there are a couple of other ways in which age impacts directly on costs. The prevailing economic climate of the last decade, characterised by very low interest rates, has disproportionately penalised people of retirement age reliant on savings and, perhaps the most obvious factor of all, that people dependent on an old age pension live on a fixed and generally lower income. A week or so ago I received a call from a gentleman in his late 80's about this amendment. He called to impress upon me that despite his decades of contributions and in fact many, many years of admirable contribution to public life, I might add, he was not eligible to claim his state pension at the full rate, as Deputy Ferbrache described, so I ask that Members please bear this in mind too. When it comes to pensions every little counts, as illustrated by Deputy Graham's earlier account of older people keeping separate pots for specific bills in their kitchen cupboards. A frozen tax allowance relative to rising costs has resulted in a lower weekly budget, and it is not yet that easy for an octogenarian to find another job to boost their income.

The second point: provision of a larger tax allowance solely on the basis of age is inequitable. Now, this is a really fascinating area and, to be honest, it is the point that gave me the most serious pause for thought before deciding to second this amendment. Intergenerational equity is an issue I care deeply about.

In fact, Members may recall that I brought a successful amendment to the P&R Plan Phase Two, to the effect that policy makers must consider the effects of their decisions on future generations. Intergenerational inequity is a big gnarly problem. It is a horribly complex problem with tendrils that touch and tangle a host of interrelated factors.

2210 It is not just relative wealth and income share; the relative value of capital and assets; or pensions and wages; or home ownership and rent; or retirement ages and life expectancy; or house prices and interest rates; or spending power and saving power; or any simple set of factors. It is about all of those, and so many more. Is it an issue that needs to be tackled? Yes. It is up there in flashing neon lights and we ignore it at our peril. It is a problem that can only be tackled
2215 through meaningful systemic change across a broad cross section of policy areas, pensions, welfare, health and social care, and housing, to name just a few. Will it help if we squeeze a few hundred pounds more in tax out of old age pensions? I cannot see how. Is it equitable? I cannot see how it is.

2220 The 2015 policy letter's final point was that balancing taxation between those of working age and those of retirement age will make a small reduction in our dependence on the working age population. Except that I do not think it really does. In simple terms, the primary way in which the working age population supports the retirement age population is through the funding of their pensions, Income Tax funds general revenue. Pensions are not drawn from general revenue, they are funded by social insurance contributions. So in what way does reducing the age related
2225 allowance reduce the dependency of those of retirement age and the working population? Not in any significant way.

In short, phasing out the age related allowance for people over the age of 64 would not make life more affordable, or fairer, for the working age population or below. It would, however, a tangibly negative effect, in the form of a real terms income decrease on many older Islanders. This
2230 amendment, by contrast, brings the qualifying age into better alignment with States' policy and will have a positive impact on people over 69, whilst still facilitating a rise in general Income Tax allowance. That is something that seems to have been lost in today's debate.

Age Concern Guernsey supports this amendment, because it provides a 4% uplift against the ever increasing cost to sustain a quality of life important to older members in the community, and their ability to enjoy independent living and ageing well in the Bailiwick; an organisation that provides a voice for older people and those organisations working with and for old people in the Bailiwick of Guernsey, also endorses this amendment, and has asked me to recommend it in those terms to the Assembly. I therefore ask Members to support the older Islanders in our community by supporting this amendment.

2240 Thank you.

The Bailiff: Deputy Yerby.

Deputy Yerby: Sir, I apologise to you and Deputy Inder, I had not intended to speak, but then
2245 I had not expected Deputy de Sausmarez' speech to be quite so provocative. *(Laughter)* I will, however, be brief.

Deputy de Sausmarez talks about age as a factor in increasing the cost of living. Of course, the underlying factor that increases the cost of living with age is increasing disability. Now, disabled people under retirement age have to jump through oh so many hoops to prove to us their cost of
2250 living is higher and that they merit an additional benefit. Perhaps I should support this amendment because I do not approve of the amount of challenges that we put down to younger disabled people to prove their disability in order to prove their entitlement to support. But I cannot, sir, because it is too broad, there are too many people who fall into the older persons' category who do not have those extra needs.

2255 Moreover, Deputy de Sausmarez has said that an octogenarian cannot easily go out to work to increase her income, but that is the case, again, for so many people under pension age. Young families with parents working two jobs for example, they might already have maxed their income

generating capacity and be a long way short of the amount they need to live a secure and meaningful life.

2260 This amendment draws out differences between the lives of retired people and people before retirement age in a way that exaggerates them, and overlooks the similarities and the struggles that people under the retirement age face.

2265 There are lots and lots of ways in which we need to improve the system and to make sure that those least advantaged are taken better care of. But, sir, perhaps for the only time in this debate. I really do endorse what Deputy St Pier said, and I would urge Members not to support the amendment.

The Bailiff: Deputy de Lisle. *(Laughter)*

2270 **Deputy de Lisle:** Thank you, sir.

So many will not make 70, in fact, they would not make 65. In fact there is a one in five chance of dying before 70, and one in three chance of dying before 75. So, I will not be supporting this amendment, despite the fact that I may become a recipient.

Thank you.

2275 **The Bailiff:** Deputy Roffey will reply.

Deputy Roffey: Thank you, sir.

2280 Deputy St Pier gave us an interesting set of statistics that, actually, when you dig into them, I think, do an awful lot more to give factual evidence in support of my amendment than I probably managed in my opening speech. I am sure he did not mean to do that, but then he has been extremely busy doing a sterling job trying to defend the Island from some very unfortunate spin coming out of a leak of evidence, or of information. So, congratulations to him on that (**Several Members:** Hear, hear.) so, perhaps he has taken his eye off the ball slightly as far as my ...
2285 *(Laughter)*

If you think back – the picture that Deputy St Pier was trying to paint was that all of these elderly Islanders are off cruising all of the time, and having the life of Riley in a way that the hard pressed working people of this Island would dream of. Think back a bit, when he was trying to tell us, not that many months ago, that the Island was too dependent on Income Tax. What was one of the reasons he said why we had to move away from our dependence on Income Tax? Because
2290 we had an ageing population, and when people got passed, what he called, the economically active age – I know that Deputy Graham would object strongly to that – then their income tended – not all of them, there were some rich ones that would still be paying out amounts of Income Tax, but by and large their income would be a lot lower and therefore they would pay a lot less
2295 Income Tax.

Today his vision of the world and the split of wealth between the elderly and the youthful seems to have undergone a metamorphosis, for suddenly they are going to be in some kind of golden years situation. Yet his own statistics deny that absolutely. He said the average income for a two person household over 65 is £28,000. He has done the research, I have not. But I can divide
2300 by two, and that means the typical income for an individual in a two-person household who is over 65 is £14,000 a year. Exactly the sort of people that I was talking about in my opening speech, that the whole approach was designed to protect, and which we are now eroding that protection.

He said, well, that compares with not much less than a single person under 65, well, absolutely
2305 true, but why do people under 65 need to be single? Living next to that elderly couple may well be a couple in their 40's or 50's also with no dependent children; they are the ones, actually, who can afford to go on holiday far better than most of the elderly in this Island.

Sir, he was comparing apples with oranges with plums and with guava, but very rarely comparing apples with apples. He said in order to facilitate my amendment we were going to be

2310 taking £100 in allowances from 20-odd thousand people in the Island. No we are not. I am proposing increasing their allowances by £400 a year – a real terms increase on what they are getting at the moment. They got a real terms increase last year; I am proposing we give them another real terms increase next –

2315 **Deputy St Pier:** Sir, point of correction.

The Bailiff: Deputy St Pier.

2320 **Deputy St Pier:** To be clear, the point I was making was that this proposal will envisage a £100 cut in the tax allowance compared to that which is proposed in the Budget Report.

2325 **Deputy Roffey:** Yes, well, we have not decided what to give yet, the way he is saying is sort of we are somehow taking away something that they have. Maybe he thinks when he proposes something that is automatically in place, and anything we do is taking away from it. Actually, we are here to decide what tax allowances will be next year, and under my amendment, people under 65 will get a 4% increase in their tax allowance above the rate of inflation for the second year in a row.

2330 On the other side of that equation, if we pursue the policy approved by this Assembly to its logical conclusion, keeping it at £11,400, the total tax allowance for the over-65s, or over-69s, or whatever, until the general one catches up, we are talking about 8% by next year. We will have cut the total tax allowances for the elderly part of our Island by getting on for 20%. Yet Deputy St Pier said that the typical income of people living in a two-person household over 65 is about £14,000. These are the sort of people that we want to be reducing their tax free allowance by getting on for 20% over a six- or seven-year period. If Members are comfortable with that then vote against my amendment. I think it would be outrageous, personally.

2335 Now, Deputy Fallaize, well he got it wrong last year and he is doing so again today. *(Laughter)* But he is right to an extent, if we got away from this hugely expensive system of universal allowances – and I am going to come on to this in general debate – and had far more focussed allowances, that could be higher for all low earners, then some of what I have been talking about today would be irrelevant. But when he can convince P&R to actually do that then these extra allowances for the thousands people on £14-odd thousand a year who are over 65, then I agree with him. Then we can be ever so logical and not worry about whether somebody can actually put the heating on next week because we would be able to strip it down to the basics. But good luck to him in doing that, he will have me by his side, I doubt he will have a majority of States' Members, and I certainly doubt he will have P&R.

2345 Deputy Yerby, I think, was the other one that was very much against. Well, she said she could not vote for this because people with disabilities who were under 65 were made to jump through so many hoops before they could get extra assistance. I completely agree with her, but at the risk of actually falling back on a cliché, two wrongs do not make a right. I will be with her when she tries to do something about that group of people. I hope she might consider reciprocating today.

2350 Sir, there is a difference – a big difference – between those people who still work and those people who no longer work. The main one, I suppose, is that still working, they may find it difficult to increase their income, but they are not on a fixed income. People who are older are. I am hoping over the next two or three years we will put up the minimum wage, by quite a considerable amount. If we do not then we will look pretty stupid because the UK's is going that way, and Guernsey is certainly not a cheaper place to live. That will automatically increase the income of people who are still working who are at the bottom of the pile. It will do nothing, in itself, to increase those people who are on a fixed income, who are at the bottom of the pay scale. They do not have the ability to actually go out there and increase their earning nearly as easily as people who are still – sorry, Deputy Graham – working age. I am not saying over 65 is not working

2360

age, what I am saying is people at some stage choose to give up work at which point they find it difficult to actually adjust their income.

2365 So I think it is entirely down to this Assembly. I do not think it is being populist. If it was being populist how could it be when we have heard the numbers from Deputy St Pier that actually the number of people who only get 4% rather than 5% are considerably higher than the number of people I am trying to help. I think it is just the decent thing to do, and I do not think it is an accident that Guernsey, together with a number of other communities have seen the logic of helping people who do have higher – that was the other thing – quite a lot of older people have lower medical bills. Yes, a lot of older people are actually on ‘Sup Ben’ – in future to become
2370 Income Support – so you can easily pluck a statistic out. But for those people who are not getting that free medical care, their medical bills tend to be considerably higher, and there is always that group just above that threshold and they are the ones who suffer.

2375 So, sir, I actually leave it entirely down to Members’ consciences, but I think, not only should we be doing this, but actually I would like to go further and, next year, if we possibly could, restore the differential between the basic personal allowance and the age related one that we eroded last year.

The Bailiff: Members, just before we vote, I have been asked whether any other people who are over 65 need to declare their ages before they vote. We have a general Rule that when it comes to general taxation matters and general tax allowances we do not declare specific interests, so anybody else who is over 65 or who has not declared it does not need to do so, unless the Comptroller disagrees with me on that, that would be my ruling on it. Just as when we are voting on married person’s allowance, for example, we do not have to have every married person jump up and say, ‘I am married,’ or whatever. That is the general position.
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2385 So we will vote on the amendment, (**Deputy Lester Queripel:** Sir.) proposed by Deputy Roffey, seconded by Deputy de Sausmarez, and Deputy Lester Queripel, if I can take the words out of his mouth, would like a recorded vote! (*Laughter*)

There was a recorded vote.

Not carried – Pour 13, Contre 24, Ne vote pas 0, Absent 3

POUR

Deputy Ferbrache
Deputy Kuttelwascher
Deputy Gollop
Deputy Parkinson
Deputy Lester Queripel
Deputy Leadbeater
Deputy Lowe
Deputy Laurie Queripel
Deputy Dudley-Owen
Deputy de Sausmarez
Deputy Roffey
Deputy Prow
Alderney Rep. Jean

CONTRE

Deputy Tindall
Deputy Brehaut
Deputy Tooley
Deputy Mooney
Deputy Trott
Deputy Le Pelley
Deputy Merrett
Deputy St Pier
Deputy Stephens
Deputy Fallaize
Deputy Inder
Deputy Hansmann Rouxel
Deputy Graham
Deputy Green
Deputy Paint
Deputy Dorey
Deputy Le Tocq
Deputy Yerby
Deputy de Lisle
Deputy Langlois
Deputy Soulsby
Deputy Oliver
Alderney Rep. McKinley
Deputy Le Clerc

NE VOTE PAS

None

ABSENT

Deputy Meerveld
Deputy Smithies
Deputy Brouard

The Bailiff: The amendment proposed by Deputy Roffey, seconded by Deputy de Sausmarez, there were 13 votes in favour, with 24 against. I declare it lost.

Who wishes to speak first in general debate? Deputy Laurie Queripel.

Deputy Laurie Queripel: Thank you, sir.

I agree with the comments made this morning, I think, from Deputy Trott and then from Deputy St Pier, I think, when they said there are some good things in this Budget, and the reason why we have got to this point and why we can present some good things in the Budget is the hard work and the discipline that has been exercised over the last few years. Now, that is a given for me, so I want to concentrate on the areas that concern me, where I have sort of doubts and queries.

So I am first going to go to page 57 in the Budget Report. Sorry, sir, I want to go to a different page, actually, to start off – page 23. Page 23, sir. It is the 4.34 and it is headed Social and Affordable Housing Policy. Now notwithstanding the good work that the GHA are doing, and have done over the years, I still think there is more that could be done in this area. There is still a trick or two being missed, and the In-work Poverty Review interim report recently released by the Scrutiny Management Committee calls for a review in this area, specifically the role of the Guernsey Housing Association.

Now, I think there are one or two things that are not working there. I think one of the key things for me that is not working is the step-up idea, where people initially access a property from the Guernsey Housing Association, partial ownership, and then eventually the idea is that they step up the property ladder and move out of those properties. Now, I think I am right in saying that, probably, there have been 10 or a dozen examples of that in all the years that the model has been in operation. So I do not think that idea is working as effectively as it could. I think perhaps some work is required there, when the role of the GHA is looked at, perhaps that is something that could be taken under consideration. So there still seems to be a gulf there that has not been properly bridged.

But, also, sir, in my 2016 manifesto – just another idea I would like to put forward – I said this: the Housing Department and the Guernsey Housing Association have achieved much in developing social housing and providing opportunity for partial ownership. However, on its own the corporate housing programme is not enough. Currently, there are approximately 600 permissions for development that have not been acted upon. In addition, there are a significant number of properties on the market towards the more affordable end, some are the result of recent developments, others are longer standing. An existing resource is going unused, which, with some good will and co-operation could be utilised.

Now, my point on that, sir, is I think it is still correct to say there are still 600 permissions for development that are outstanding. I do wonder if we should be looking at something where we do not put all our eggs in one basket, when it is not just the relationship with the GHA that provides affordable housing. I just wonder has any meaningful or proper dialogue been opened with local developers who have a list of permissions that have not been acted upon, that have sites that have not been developed, just to see if they too would be interested in helping this to work in partnership with the States to help them to develop another type, or another scheme, to produce affordable housing.

I just wonder if that is something that has been considered. I know this is something that, I think, falls to two mandates. It is the Environment & Infrastructure and Employment & Social Security, and I wonder if that idea has been considered that perhaps we should be approaching some local developers outside of the GHA model to see if they might be interested in helping also to create some affordable housing.

I know that a few years ago one of the schemes that was put in place was the project or the complex down by Grande Maison Road, just behind the doctors, the medical practice, the surgery there. Now that complex was a partnership between the States and a local developer, and I think

2440 the idea was that the price of properties when they were sold on they would have to be linked to the lower quartile so the theory was they would remain affordable.

Now, I do not know how well that has worked. I have never heard a report on it, or had it explained to me how well it has worked and has it been looked at again, or perhaps something similar could be looked at. I am just saying that yes it is working to some extent, but we are just
2445 working to one model, and I am just wondering if we could branch that out, and perhaps approach some of the developers that do have permissions that are not being acted upon, or look again at a different scheme, a bit like the one that was undertaken at Grande Maison Road. Because it would help us, I think, to broaden our horizons. It would help us to tap into something, a resource that is simply not being used at the moment.

2450 It does seem a bit crazy to me that we have all these outstanding permissions and nothing is being done with them. I think any developer would have to accept, of course, that they would have to take a bit of a hit in regard to their profit margins, but I do not really see a problem with that (*Laughter and interjections*) as long as they are making some sort of profit, and it would be making use, not only of a resource, but local skills and local expertise. So, I think we might be
2455 missing a trick there if we do not at least try and explore that idea and show some willing in that area.

This is where I want to turn to page 57. I must apologise that I was premature in my reference there. Page 57, sir, and it is 6.72. This is where we have this idea from the Policy & Resources Committee. It says:

The Policy & Resources Committee is aware that there could be a number of projects being developed by non-States' bodies that would provide significant public benefit and support delivery of the objectives within the Policy & Resource Plan.

2460 Further down it says:

[It] ... recognises the wider benefits that working in partnership with the third sector on such projects could deliver.

Over the page in 6.73 it says:

Therefore, the Policy & Resources Committee requests that the States endorses its intention to use its delegated authority to approve funding for projects ...

– etc. that fall into that category.

Now, sir, that is a very interesting, and intriguing, and perhaps attractive idea, and I am not necessarily against it. I am not overly opposed to that idea, but it is the delegated authority bit
2465 that bothers me a bit. It did say in 6.72 the Policy & Resources Committee is aware. If that is the case, sir, perhaps we could have been given some examples, and perhaps there could have been some more detail into the kind of projects that are being considered, some detail into perhaps who is going to be worked with and what that project would entail. I am not very comfortable approving of something when I really do not know quite what it is that I am approving of, except
2470 for the general concept. If you think back to a while back in Jersey – I cannot quite remember now the actual context, but in Jersey – there were some public funds, I think, used to work with private sector parties, and it did not work out too well.

It did not provide very good value and the money, apparently, was pretty much wasted. So I think, actually, we need a bit more detail around this idea. The concept is good, I think, but I
2475 wonder if Deputy St Pier or Deputy Trott or any member of the Policy & Resources Committee could just give us a little bullet point list of the kind of projects they are thinking about, who they might be thinking about working with; but also what kind of governance and oversight would be provided, because we have to make sure if we use public money for these kind of projects that the money is going to be well used and it is going to provide the kind of value that we all want to
2480 see. So, to me, really it is about needing a bit more detail in that area, and being told about how

the governance or the oversight will work and to make sure that that oversight and governance is adequate, is up to the mark.

Now, on page 64 – and this is headed up, Transformation and Transition Fund, and it starts at 7.19 at the top – I have always been concerned about the public sector reform agenda, but as time goes on I am growing increasingly concerned about it. It is a very complex multi-layered programme. There are several socialistic sub-programme initiatives and it comes with a very big price tag. If we look at the table on the other page, on page 65 in 7.13, what that tells us is that nearly £10 million of the Transformation and Transitions Fund has been used – very nearly £10 million. Now, I realise –

Deputy Soulsby: Sir, point of correction.

The Bailiff: Deputy Soulsby.

Deputy Soulsby: Sorry?

The Bailiff: I am just announcing who is making the point of correction because you are supposed to stand. Having announced it is a point of correction, you stand until you are called, under our Rules. So I have called you. Deputy Soulsby, *(Laughter)* do you wish to speak?

Deputy Soulsby: Thank you, sir.

Point of correction, Deputy Queripel just said that £10 million had been used, but it has not. It has been prioritised, but it has not been used, and of that, £5 million has been approved, which does not necessarily mean that that has been used either.

Deputy Laurie Queripel: A slip of the tongue on my part, sir. Yes. It has been approved for use but it has not been used yet. But that is nearly £10 million anyway – that is my point, sir.

Yes, on page 71, we are told in 7.45 that a report will be forthcoming at some time in the future.

... the Policy & Resources Committee is currently required to report to the States annually on progress with that long-term reform agenda.

So, we know that eventually we will be getting some detail in regard to how that money might be spent.

In the meantime, we are being asked to give even more delegated authority to the Policy & Resources Committee to use even more of that money. So over the page it tells us about £750,000 to go from the Transformation and Transition Fund for public service reform, then on page 67 it talks about more delegated authority, £750,000 for the People Plan.

Now, okay, if these workstreams require more funding to progress them, and we need to approve access to those funds, okay, I understand that, but, to me, unless I have missed it, I have not seen any sort of update, or any sort of detail, or any sort of indication, as to how that money that has already been approved is being used, or is going to be used; and, more importantly, what tangible benefits have been realised, or soon will be realised, before we approve even more expenditure. Because when you look at, I have mentioned it, nearly £10 million, when you add other figures into that, we are getting towards a figure that amounts to roughly half of the fund. I have seen nothing yet that shows me that there is likely to be some benefits shown, or there have already been some benefits accrued from the money that has been approved for use. So, I just wonder, once again, if Deputy St Pier or another member of the Policy & Resources Committee could just give us a little update in regard to what benefits have been derived by the approval of the use of that money or the money that has already been used.

Now, I know it is a 10-year plan, I appreciate that, but as I say, bearing in mind the money that is in that fund, and the money that has been approved for us, it would be a good idea, I think, to

2530 get some ... there must be some firm indications, some good examples of how that investment is paying off, because that is what it is, it is an investment, and I am not comfortable approving delegate authority and approving yet more access to that fund, sir, without getting some idea of what benefits have been realised, or what might soon be realised.

2535 Because, I am beginning to suspect, for all its apparent sophistication, this programme is resembling a rehash of a typical organisational reform, where a bottom up approach is taken, where lower paid front line workers take the hit, and where the rest of the organisation is unlikely to be affected.

2540 I hope I am wrong on that, but I am getting the impression that, for all its sophistication, that might be exactly what is going to happen, that either services might be outsourced or that the contracts of lower paid workers will be changed, things like smoothing contracts, things along those lines, where their entitlements are reduced, and that is the way that the reform agenda might go.

2545 That is what concerns me a little bit, sir, because how would reducing the entitlement of lower paid public sector employees, the ones that typically deliver the front line services, or how would, perhaps, outsourcing services square with the progressive social policy plans that the States are hoping to advance? How would making these positions, these people in these positions unemployed or further rolling out things like smoothing contracts, sir, and thereby perhaps increasing the unemployment figures or increasing the number of public sector workers who are entitled to Supplementary Benefit income top-ups, how could that be classed as being socially progressive, or save the States' money?

2550 I think it is time now that, as I say, I know it is a long-term programme, but we are a bit of ways into it now, and there really has been quite a lot of money approved for the use. I think it is time now that we get an idea of where we are going with this, and what benefits are likely to be accrued, or realised, and also give us an idea at all if that is something that is intended, the outsourcing of services, or will it be as often happens in organisational reform, will it be that the lower paid workers take the hit?

Which leads me, sir, to page 66, actually, in 7.18, this refers to the amendment that Deputy Dudley Owen had passed in 7.18:

To 'ensure competitive recruitment and retention of quality, skilled professionals, balanced with appropriate scrutiny including control and review of staffing costs, grading and pay awards, and effective performance management, within the public sector.'

2560 I just wonder, sir, also, if we could have, perhaps, a small update in regard to how that is being progressed, because I am growing increasingly concerned that if this modernisation of terms and conditions of employment go ahead it is only going to affect the people towards the bottom end of the pay scale, and that concerns me greatly.

2565 I am turning now to pages 72 – 75 and these pages cover the Bond and they cover Aurigny. Like many in this Chamber, sir, and we are probably going to hear it throughout the afternoon, I have concerns about Aurigny generally, and I know there is a lot of concern in our wider community as well about the Aurigny situation.

2570 But a particular point of interest for me is the ability of Aurigny to access Bond proceeds, or to qualify for a loan from the Bond. So when it comes to matters of, I suppose you could call it high finance, I am but a layman, I do endeavour, however, to come to grips with and to understand the technical aspects of financial and fiscal arrangements and matters. I am still puzzled as to how Aurigny qualify to access a loan from the Bond. It might be based on a technicality, but to me it seems like a rather thin one.

On page 72, sir, in 7.47, second paragraph, it is the first paragraph in 7.47 under that in italics, I am just going to the bottom four lines of that paragraph, it speaks about:

... to demonstrate how all such ... borrowing[s] [have] been or soon will be allocated –

2575 – so, that is the Bond proceeds –

... will be allocated clearly to individual recipients and how each recipient will be repaying such borrowing in full from a secure income stream and without recourse in any way to general revenue.

Now, sir, we know that Aurigny is a loss-making business, it is not even able to fully cover its operational costs. It has to be subsidised with public money, with taxpayers' money. If the recommendations in this Report are successful, we will be approving £11.8 million in 2018 in the form of an overdraft for Aurigny, and yet, Aurigny is apparently paying back a loan from the Bond –

Sorry, I give way to –

The Bailiff: Alderney Representative Jean.

Alderney Representative Jean: I only rise to dispute what you are saying, in as much as the management is the problem. It is actually management that is the problem.

Deputy Laurie Queripel: I appreciate that point, sir, but that is not the point I am making. But, whether it is management or not, what I am saying is Aurigny is spending more than it receives. So operationally it does not cover its costs, so therefore it has to be subsidised by the taxpayer from public funds. It is as simple as that. Now, how can that income stream – because it is not adequate to even cover the operational costs of Aurigny, how can that then be used to pay back the Bond, the loan from the Bond? To me, it does not add up. It just does not add up.

I think actually I have spoken about technicalities, and I think we find the technicality on page 75, in 7.66, and to me the technicality is based on two words, in 7.66 it says:

The anticipated accumulated losses of £13million up to the end of 2018 are being provided for within the General Revenue Account Reserve.

Now, it is the account reserve but that enables Aurigny to be able to access money from the Bond, because we are told in this report that money from the Bond cannot be accessed if an organisation or an entity is being supported by general revenue, but when it is the General Revenue Account Reserve, suddenly it is okay. Now, as far as I am concerned whether it is the General Revenue Account Reserve, or general revenue, it is all States' money, it is all public money, it is all taxpayers' money. But, because of that technicality, Aurigny can access a loan from the Bond. That is the way it seems to me anyway.

Now, sir, in direct relation to the Bond, I am not even mentioning an extra £60 million was added without a clue as to how it would be used. Once again, despite the contents of the 7.47, and I will go back to it, sir, 7.47, where it says ... this is sort of five lines from the bottom of 7.47:

Treasury & Resources Department to report to the States as expeditiously as possible, but in any event by no later than the 2016 Budget Report, to demonstrate [once again] how all such ... borrowing has been or soon will be allocated clearly to individual recipients.

And it says that, again, sir, in the paragraph below in regard to the £80 million. Now, as far as I am concerned, that deadline has passed; I have never been made aware of how that £80 million will be used or allocated, and yet it was borrowed on the condition that we would get a report back to the States telling us how it would be used.

Now, luckily, sir, we are told in 7.52 that the unallocated portion of the Bond proceeds have been invested, and luckily enough that investment is paying off. As I say, that is lucky, you do not borrow to invest, because as the old saying goes, markets can go down as well as up.

I must say that I thought that Deputy St Pier and the States' Treasurer performed very well at the recent scrutiny hearing in regard to the Bond. They performed well, but for me the issues and the concerns and the doubts remain about the Bond, and I just alluded to the concerns there in regard to the £80 million. We still do not know how that is going to be used, despite the fact that we were meant to have been told. Secondly, I still do not know how Aurigny can access money

2620 from the Bond when they are a loss making business, and they are being propped up by taxpayers' money, and money from the public pot.

Yes, I will leave it there. I have got other points to make, but I just hope that Deputy St Pier or somebody from the Policy & Resources Committee can give me some clarity or some extra information in regard to the issues and concerns that I have raised.

2625 Thank you, sir.

The Bailiff: Deputy Green.

Deputy Green: Sir, thank you very much.

2630 It will mainly be me speaking in my individual capacity this afternoon rather than as President of Scrutiny Management Committee. I should also probably declared in interest in terms of, I think it is Proposition 17, in that I am a practising advocate in a local legal services firm.

2635 Sir, on the general economic picture I feel I must point out that we simply do not know whether the increase in ETI and tax revenues is merely a short-term blip or part of a more long-term picture. To record a surplus even after a significant contribution to the Capital Reserve is, of course, positive news, but we have no real way of knowing whether that is likely to be a locked in position in the future. Therefore there cannot be any let up in the fiscal approach that we have been adopting in the last few years, given the uncertainty of the current economic conditions, including Brexit.

2640 The proposal to raise the personal Income Tax allowances for all, apart from those on the highest incomes is, in my view, welcome. But it must be acknowledged that such a proposal, as Deputy Roffey was saying earlier, is inevitably a very expensive and untargeted measure, which will mean that some fairly wealthy people in our community will be getting a tax cut when there is still considerable pressure on the public finances generally at this time. So the question, and it is the question that Deputy Roffey, in effect, was asking: could this measure be more carefully tailored and structured to benefit purely lower and middle income earners all the more, rather than being as it is now, in effect, extending into wealthier parts of the community? I think that is something we are going to have to increasingly look at.

2650 The increased contribution from the business community is, I believe, broadly to be welcomed, although I doubt that anyone can really guarantee that the extension of the company intermediate Income Tax rate of 10% to regulated investment management services to individual clients will definitely generate the extra £500,000 per annum in revenue that people expect it will. This is definitely an area for all of us to watch carefully, I think.

2655 Sir, the new commercial TRP rate for legal services – and I have already declared an interest in that regard – I think is fine in principle. I think there are questions about how it is being extended to one professional sector at this time, in a way that, to some, seems like it has been singled out ahead of others, but no doubt Deputy St Pier may touch upon that when he sums up at the end. I think there is a bit of a case for some further explanation and justification as to why that one sector is being chosen, although I do note in the Budget there is a general statement of intent to extend it to other sectors in the future, which I welcome, but nonetheless I do not oppose that in principle; I think that is the right direction of travel.

2660 I also welcome the second phase of the withdrawal of personal allowances and deductions for higher earners in this Budget. This work stream is undeniably helping to make the Income Tax system that we have more progressive than what it was, and that is exactly what I intended and had in mind when I sought to amend the Personal Tax and Benefits Review policy letter in 2015. So that direction of travel, I think, is to be congratulated and warmly endorsed.

2670 Sir, I do have concerns about the extent to which the contribution from the STSB is fully deliverable – both in this Budget and more generally. As we discovered at a recent scrutiny panel hearing with the STSB, their contribution under the Medium Term Financial Plan was essentially imposed with little or no consultation, and if it cannot be delivered next year, or elsewhere going forward, it does, potentially could, leave a hole in the public finances that will need fixing

somehow. I do not believe that the contribution to general revenue from the trading assets is in any sense locked in for the next few years, including this year or next year, and that is a concern that ought to be flagged. I do worry that we might be putting too much pressure on the trading assets under the States' Trading Supervisory Board in that respect.

Sir, now I should also say something about the fiscal framework, which I referred to earlier, in relation to one of the amendments, because this year we are, in my judgement, not complying with the fiscal framework in at least two material respects. Paragraph 6.65 tells us that this Budget can only be read as being consistent with the fiscal framework that we have if you effectively ignore £1.8 million of States' expenditure in connection with the Income Support proposals. I have already made that point. But, in addition, although the contributions to the Capital Reserve are to be welcomed – and I mean that, really welcomed, and I do endorse them – we cannot possibly be allowed to forget that the actual rule of fiscal framework is, and I quote:

Actual capital expenditure averaging 3% of GDP per year in the medium term.

And not simply making allocations to the reserve of 3% of GDP over that timeframe. But, of course, our capital programme at the moment is somewhat becalmed. So that is not surprising. But I think it is worth just reminding people that our fiscal framework actually requires expenditure on capital programmes of 3% and not just putting money aside for that.

So, clearly, sir, in two material respects the States is, in my judgement, in breach of its own fiscal framework, and I think we should be clear and up front about that.

Now, sir, I do not like the further drift towards more and more use of delegated authority in this Budget, particularly Propositions 30 to 33, because I believe it is slowly, but surely, undermining more and more the role and function of this Assembly. Certainly, Proposition 30 which says, and I quote:

To increase the authority delegated to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund for Public Service Reform by £750,000 to £1.5million.

That is just one example. So I do not intend to vote for those particular Propositions that seek to increase delegated authority, without any further rationale or without any further justification. So, again, if Deputy St Pier can focus on that when he sums up. I am concerned by the drift towards greater use of delegated authority, but if there is some information that can be imparted in this debate then I am all ears.

It is good, sir, that we will be putting £5 million into the Core Investment Reserve, but I cannot help thinking that the reason we can do that this year is because we are not giving a general grant to the Health Service Fund for a second time. I am not entirely happy about paragraph 6.9 and the fact that there will be no repeat of the grant from general revenue to the Health Service Fund. I know there is some explanation in the Budget document about that; there is not a lot of explanation though, and at this stage I do not feel that I have sufficient understanding, or sufficient idea, really, of what the future strategy is, with regard to that.

Paragraph 6.9, which is page 45 in the Budget Report, says, and I quote:

Therefore, since work remains ongoing between the Committees to consider the future model for funding the services currently provided from the Health Service Fund ... no grant will be made from General Revenue to the Health Service Fund in 2018.

So I am not really convinced, not really clear on, what the medium-term and long-term approach is going to be, and I just simply ask the question, sir, is this really the most fiscally responsible thing to do in the longer run in relation to the Health Service Fund? I am not convinced it is. It rather reminds me, sir, of the so-called payment holidays that were done *vis-à-vis* the public sector pension scheme a few years ago, and the repercussions that that then subsequently had; and I do not want to be sat in this Assembly in a few years' time trying to deal with potential issues with health service funds because of the lack of investment in the last two

years. I just want to have a better understanding of where we are going with that, and why we do not need to be making that grant from general revenue.

So, sir, the next issue I want to look at is in terms of the cash limits for a couple of the Committees, and I am going to single out the Education, Sport & Culture and Home Committees on this occasion. I think I would like to have some greater reassurance, some greater assurance from members of Education and from Home, in this debate that they are genuinely content that the cash limits they have been given in this Budget, if approved, are actually adequate, because we have seen no amendments from members of Education or Home, neither of those Committees are trying to amend their cash limits upwards or in any way. So the question is: do members of those Committees feel that the cash limits on offer here, that they are going to have, are adequate? So, I think we have to accept the fact that there have not been any amendments from those Committees and therefore I would be very surprised if members of those Committees say anything other than yes they are content; but I would like to have that reassurance from members when they speak.

Education, in particular, in relation to their budget, we were told that their original bid for funds was way in excess of what their cash limit on offer here is, for example. So, some sense of assurance from members on that would be helpful. Are those budget limits realistic? Can they guarantee that they will not overspend next year?

So, sir, now turning to Proposition 4, which invites us to endorse a grand total of 23 policies as set out in the Budget, paragraphs 4.17 to 4.39, as the States' priorities for this term, this political term. I must say I think that, practically speaking, having 23 priorities probably is simply too many. I mean it is often said if many things are supposedly priorities then nothing is truly a priority, and I think that is the danger that we are falling into. But, further than that – it is a point I have made before – it has taken us the best part of 19 months to get to this stage in this new political term to actually have our priorities, those 23 priorities set out. I think that it has taken far, far too long to get to this stage, and I do not think it is good enough.

Nevertheless, in Proposition 4, if Proposition 4 is endorsed by the States – I am now speaking as the President of the Scrutiny Committee – my Committee will be looking very carefully indeed at the future endeavours of this Assembly, and the Committees – the Principal Committees in question – to see whether these priorities are actually going to be properly adhered to robustly, or whether other areas that have not been prioritised, non-prioritised items, whether those issues are actually going to be flagged up and given funding, because that would be very much against the ethos of the whole Policy & Resource Plan and prioritisation that we have been led to believe is such a key component for this Government. So we will be watching very carefully what happens there. The question is, sir, will this Government have the discipline to actually stick to its agreed priorities, or is this all merely lip service. Sticking to agreed policy priorities is difficult, but how long will it be until we actually see a departure away from those identified priorities.

That is all I have to say, sir. Thank you very much.

The Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, sir.

I am going to refer briefly to what I said to the Assembly in my 2017 Budget speech. At that time I agreed with Policy & Resources Committee President that the approach to making sustainable savings should be responsible, fair, progressive and realistic. I did not agree though, that one size fits all for savings across Committees, which the President of P&R has also confirmed to be the case.

I also referred to, in my speech on 29th March, in a statement to this Assembly, that the Committee for Home Affairs has made real savings up to the end of 2016 of almost £3 million. In addition, whilst not easily achieved, we met 2.7% of the 3% 2017 saving target, without significantly impacting front line public safety services.

Sir, the 2018 Budget Report references alignment with strategic priorities, benefits, impact, risks, achievability and costs. It sets out 23 policy objectives, which include some very important areas of the Committee's Policy & Resources Plan priorities, including the top five priorities of the Committee for Home Affairs. The Medium Term Financial Plan for the period 2017-21 and the report from PwC, which highlighted some areas of consideration for further reductions in expenditure, are also highlighted within this Budget Report.

My Committee believes that during the period 2018-21 it can achieve further budget reductions, tying closely into the Medium Term Financial Plan, and the Chief Executive's public sector reform programme, but, or however – there is always a 'but' – it must be noted the larger savings are dependent upon other factors and work with other Committees.

A few examples that are out of our control at Home Affairs: property rationalisation, which has been ongoing now for just far too long, many years in fact, and still we pay extortionate rents to the private sector, instead of using States' properties. In terms of staffing matters, pay, terms and conditions, another area outside of Home Affairs control and an important area for the future, is the digitalisation, which is, again, not within our control. These three larger saving opportunities come mostly in the last two or three years of this period, leaving the Committee frustrated that the savings will happen, but unfortunately further down the line and just not quick enough for us.

Another very important work stream for the Committee in 2018 is Brexit, which is going to give us considerable work as the Committee is a key player in a number of important work streams, which include future customs arrangements, the movement of people, passport issuance and security, law enforcement and EU justice home affairs matters. These are areas which will require additional, but at this time unknown resources during this period.

I note that this Budget Report, if agreed, directs both the Committee for Education, Sport & Culture and the Committee for Home Affairs to report back to the States in June 2018, with details on how progress has been made in relation to the PwC report. Sir, whilst the PwC report has identified some areas in which savings can be made, most, if not all of these, had already been identified by the Committee, and where possible developed into tangible savings. However, this is only part of the picture. The Committee for Home Affairs and its senior staff are working to produce a Home Affairs financial plan for the period 2018-21, which will support the aims within the Medium Term Financial Plan. This plan will be finalised in the first quarter of 2018, and will provide a reasonable, fair, progressive and realistic approach to make sustainable savings without adversely affecting service delivery to the public.

I hope that in submitting this plan to P&R the requirement to report back in June on the PwC report will be moot, as all of the proposals within that report will be included within the Home Affairs financial plan.

I should also add that this work is not easy, and being undertaken with only the benefit of limited finance expertise in the form of a part-time finance business partner. The Committee has recently written to Policy & Resources in this regard and feels that, in particular, our services require a stronger finance presence in the form of a dedicated finance business partner to assist in operating within budget constraints and in planning how future savings can be made. Greater finance support in mentoring and providing challenge to the operational managers responsible for budget votes, would assist in increasing financial grip, and in our capacity to make savings. Deputy Green actually asked: can we actually say if we will be in budget? There is no guarantee of us being in budget, but what I will say is the Committee for Home Affairs hopes that its structured and mature approach to ensure that savings can be achieved in a sustainable way will be endorsed by P&R when the plan is submitted during the first quarter of 2018, but what I will add is that we at Home Affairs are very grateful for the support of P&R staff and at political level for their time and support given to the Committee for Home Affairs during the last year, and we look forward to continuing working together to ensure wherever possible we are able to stay within budget.

The Bailiff: Deputy Lester Queripel.

Deputy Lester Queripel: Thank you, sir.

I will start by informing colleagues that I will not be giving way during this speech because it is long enough as it is.

2820 Several questions and several comments regarding this Budget. First question is on Proposition 32, which reads as follows:

To delegate authority to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund of up to £375,000 to fund the development of an energy policy.

I am in need of some clarification on that, sir, because we already have an energy policy in place. So my first question is what is P&R's understanding of this request? Is this money needed to develop a completely new energy policy? We are told in paragraph 7.23 on page 67, E&I have
2825 requested additional funding over a three-year period for this work. Now, one would have assumed E&I provided P&R with a robust business case, going into great detail about every aspect of this. So several questions on that. What is P&R's understanding of how this money is going to be spent? Why is that amount of money needed? Why will it take three years to complete the work? Why do we need to develop, as it states in the Proposition, an energy policy
2830 anyway, seeing as the one we have in place has only been in place for five years?

I appreciate that Deputy St Pier might say we need to develop new policy because things have moved on in five years, but as we all know, this energy policy will be used to inform the hydrocarbon supply programme, which is a timeline set at 2023. So will E&I be asking for another £375,000, or more, to develop another energy policy in five years' time? Presumably E&I will have
2835 explained all that in their business case to P&R. It was only recently when I received answers to all 14 questions I have submitted to E&I about the hydrocarbons programme, that I learnt that the former Commerce & Employment Department, headed up by former Deputy Kevin Stewart, was directed to report against the actions of the energy policy on an annual basis, but the Department never actually complied with that Resolution. So can the President tell me please what are his
2840 Committee's views on the need to report against the actions of a new energy policy once it is in place, and have P&R spoken to E&I about that?

As we all know, the energy policy is one of the 23 policies we are being asked to prioritise in this Budget Report. That is because £375,000 is an awful lot of money. I feel it is my duty to ask these questions on behalf of taxpayers, and as can be considered to be a comprehensive scrutiny.
2845 As we all know one of the criteria that needs to be demonstrated in any business case, when applying for money from the Transformation and Transition Fund, is that evidence and measurable benefits have to be submitted to P&R. I am sure my colleagues know where to find them, but if they want to look at those criteria they will find them at the top of page 64.

My next question in relation to Proposition 32, what is P&R's understanding of the situation that would result if the States rejects this Proposition for funding? If the answer from the President is that P&R are of the view that E&I will then simply have to work with the energy policy that is currently in place, my response in anticipation of that answer would be, if P&R expect E&I to work with the current policy should this Proposition be rejected, then why can't E&I work with current policy anyway and save the taxpayer £375,000?

2855 I move on to Proposition 35. Which asks us to agree to £11.8 million being made available to Aurigny by way of a temporary overdraft facility. Well, I intend voting against this Proposition, sir, because, as a Member of the previous Assembly, I have been here before, and my voting against this Proposition will make no difference whatsoever to the overall vote, because the vast majority of the Assembly will vote in favour of it, but at least my conscience will be clear.

2860 And to be perfectly honest, I am really fed up with hearing about problems at Aurigny, and I am really fed up with hearing about problems between Aurigny and Alderney, and I am sure it is fair to say that the public are fed up with hearing about the problems at Aurigny, judging by the amount of phone-calls to the *Sunday Phone-In*, the constant stream of letters in *The Press*, telephone calls, emails, and the conversations I have out in the community.

2865 It is quite obvious that a major part of that problem is caused by extremely poor levels of communication. This has been going on for years, and what I would suggest that all those people responsible for this do, is all sit in the same room round the same table at the same time and resolve these communication problems. I fully appreciate, sir, that one or even more of my colleagues would say that they do all sit in the same room at the same time at the same table.

2870 They seem to have forgotten why they are there in the first place, which is, of course, to talk to each other and communicate in an effective and professional manner. They do not seem to be doing that. Instead what several of them seem to prefer to do is criticise one another in the media and put the blame on others instead of looking at themselves.

There have been several examples of that in recent years. I could cite a whole catalogue of examples, in fact, but I am going to restrict myself to a handful. In October this year, **Fiona Le Poidevin** from the International Stock Exchange asked the following question in a *Press* article: why didn't Aurigny consult on the City link before deciding to cease operating the route? So there is an example of the poor levels of communication from Aurigny, but of course, one could ask the same question of the International Stock Exchange, why didn't they consult with Aurigny?

2880 **The Bailiff:** Deputy Lester Queripel, I know you do not want to be interrupted in your speech but I do not think we can allow the Budget Debate to turn into a sort of general debate about Aurigny, I am not sure what relevance the points you are making now have to whether people should or should not endorse the decision to make available a temporary overdraft facility.

2885 **Deputy Lester Queripel:** I am trying to highlight the problems, sir, and emphasise why I have no intention of voting for this Proposition, but at the same time I am going to get around to offering to help, sir, and on the way there, maybe one or two of my colleagues might agree with me, and vote against the Proposition. (**The Bailiff:** Right.) I do not think it is acceptable, sir, to keep on pumping money into Aurigny, and although some of my colleagues will nod their heads and say they agree with me, they might not understand why I voted against it. I am trying to get everyone to understand why I am not going to vote in favour of this Proposition, and we have also got people listening on the radio, sir.

2895 **The Bailiff:** No doubt you will explain then what the alternative is.

Deputy Lester Queripel: I am going to get to that, sir. (*Interjection and laughter*) But before I get to it, to give my argument credence and merit, I do need to highlight at least two more of the four that I have got on my list.

2900 Now the same applies to the comment made by Martin Dorey, the President of our Chamber of Commerce, who said in *The Press* that finding out information about passengers using the City link is down to Aurigny and not local businesses – obviously a reluctance there to communicate. At the end of September we heard on the news Aurigny had struck a partnership deal with easyJet. Surely they should have told the States of Guernsey about that first. Instead of us hearing

2905 it on the news. Another example of poor levels of communication.

I just briefly want to cover the issue of the Aurigny versus Alderney, because we are always hearing constantly about the route losses or Aurigny in dispute with Alderney and Alderney in dispute with Aurigny questioning these losses. There was a letter in the paper recently by Steve Roberts a resident of Alderney who questioned it; he said Alderney has asked Aurigny for information detailing these losses and the information has not been forthcoming. But the Alderney States themselves and the people of Alderney also need to improve their levels of communication, as I told them when I went on a visit to Alderney with some of my colleagues earlier this year. They did not agree with me, but that was part of the problem. I will not go into a great deal on that. On that visit I suggested one way they could improve their levels of

2910 communication was by requesting their Alderney Representatives make regular statements in this Chamber, and that is going to happen, and that is good news, because that is a major step in the

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right direction regarding improving the levels of communication between Aurigny and Alderney and the States of Guernsey. Now the reason I suggested that, sir, was because it made perfect sense to me. It was logical. It is what makes me think a logical approach is what is needed here. So I am going to make another logical suggestion.

There is no point in a Deputy ranting or raving about anything in this Assembly unless they are prepared to help to resolve the situation that is damaging our community and this Aurigny situation is extremely damaging to our community, and has been for years, and it needs to be resolved, and it starts with improving levels of communication. So what I am going to do is offer to help resolve these major problems with communication and offering to act as a mediator. I am offering to chair a meeting of all the parties concerned here with the sole purpose of greatly improving those levels of communication, which will then ensure that effective dialogue takes place from now on in, and puts an end to all this extremely unhelpful finger pointing and running to the media to complain that someone else has not communicated when the person making that complaint has not even communicated themselves.

The Bailiff: Deputy Lester Queripel, I need to remind you of rule 17(6) which says debate must be relevant to the matter before a meeting. The Proposition you are addressing is whether or not to endorse a temporary overdraft facility for 2018 of £11.8 million to Aurigny Limited. That has nothing whatsoever to do with you chairing a meeting to try and improve communication, as far as I can see.

Deputy Lester Queripel: With the greatest respect, sir, I would have to disagree because this is all relevant to the debate.

The Bailiff: This is a Budget debate.

Deputy Lester Queripel: And surely an offer of help, sir, in debate –

The Bailiff: It is a Budget debate.

Deputy Lester Queripel: It is, sir, and this is a part of the Budget, this is a Budget proposal.

The Bailiff: There is no proposal in the Budget to invite you to chair a meeting so – *(Laughter)*

Deputy Lester Queripel: Sir, there is no proposal in the Budget that necessitates 99% of what people say in their speeches in this Chamber anyway, *(Interjections)* **(The Bailiff:** Well.) so we all go off on tangents. This is not a tangent. This is *(Laughter)* totally relevant to the Proposition in the Budget proposals.

The Bailiff: In my opinion it is not. *(Interjection)*

Deputy Lester Queripel: I just want to emphasise sir, in making that offer, I hope the people involved and the President of P&R seriously consider my offer to help. I have chaired dozens of meetings of the 11-strong Age Concern Committee and I did not ever have a problem there keeping order.

The Bailiff: Well, I am having a problem keeping order here. *(Laughter and applause)*

Deputy Lester Queripel: I have just thrown away two pages of my speech, sir. *(Interjections)* Bear with me, sir, I just lost my place. Oh yes, bearing in mind that the States of Guernsey has a history of giving Aurigny more and more money, I have another question for the President which relates to this Proposition. Where is the incentive for Aurigny to break even when they know the

2970 States of Guernsey will give them money to cover their losses? I look forward to hearing the President's response to that, sir. Is the President aware that Aurigny is still not pursuing the kind of cost saving measures we expected them to pursue? They are still giving away free copies of *The Guernsey Press*.

2975 Now, sir, in relation to this Proposition, my colleagues might be asking themselves what will actually happen if this Proposition is rejected. I guess the answer to that is that the problems will have to be sorted out once and for all. In other words, that will be the incentive that is needed here. That will surely be the wakeup call that everyone involved needs – much like the wakeup call the previous Assembly gave to the GFSC – the Guernsey Financial Services Commission – when they were getting out of control.

2980 **Deputy Gollop:** Can I raise a point of order here.

The Bailiff: Deputy Gollop.

2985 **Deputy Gollop:** Maybe I have misunderstood all this, but presumably if we did not arrange Aurigny in an appropriate corporate governance way, it would have capacity to cease to trade. Would that be a possibility if we rejected that particular point in the Budget? If that is a point of order.

2990 **The Bailiff:** I am not sure that is a proper point of order.

Deputy Lester Queripel: Sir, it is not a proper point of order because Rule 17(10) can only be raised for the purposes of drawing attention to a breach of a Rule of Procedure, therefore the Deputy raising that surely needs to cite whichever Rule he or she thinks has been violated.

2995 **The Bailiff:** Well, it was not a point of order.

Deputy Lester Queripel: But, Deputy Gollop, sir, did not cite the Rule he thinks I violated.

3000 **The Bailiff:** Move on, move on.

Deputy Lester Queripel: We have either got Rules or we have not, sir.
So what you are saying, sir, is I can get up in future and –

3005 **The Bailiff:** Well, the difficulty with points of order and people standing up and making points of correction which are not proper points of correction is until they have spoken I do not know whether it is a proper point of order or proper point of correction. It is very difficult. Deputy Gollop has raised what he said is a point of order, I have said it is not a point of order, he sat down, debate can move on.

3010 **Deputy Gollop:** It could have been a point of correction. *(Laughter)*

The Bailiff: It is not a point of correction. Move on, please.

3015 **Deputy Lester Queripel:** Sir, that is why I said I was not giving way in this speech, because that was asking me to give way.

Sir, moving back to my questions on this Proposition. My final question to Deputy St Pier regarding Aurigny is this: we are being asked to provide Aurigny with a temporary overdraft facility, but what is actually meant by 'temporary'? Can I have P&R's view on that, please, because if the answer from Deputy St Pier is until such time as Aurigny can afford to pay the money back, surely, unless we do something drastic, they will not ever be able to afford to pay the money back,

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so this will not be a temporary overdraft facility, it will be a permanent overdraft facility. I do not think I am being pessimistic for one minute when I say, sir, that Aurigny will not be in a position to pay it back, because that is a reality. So I am being realistic.

3025 In relation to Proposition 38(j) which asks us to approve the expenditure budget for the Overseas Aid & Development Commission, I want to inform my colleagues that I will be voting against that Proposition. I will be voting against it in order to remain consistent with my view that the people of our community should have the opportunity to decide for themselves whether or not their money is spent on overseas aid.

3030 **The Bailiff:** Well, I will take advice from H.M. Comptroller, but normally we would put a Proposition like 38 to the vote as a whole Proposition and not allow people to vote on some parts and not other parts.

3035 **Deputy Lester Queripel:** Surely, sir, they are separated, they are separated.

The Comptroller: Sir, yes, I think you are correct. I think that was done last year. It was overlooked at one stage, I think, wasn't it, last year, and then the whole Proposition was put at the end.

3040 **The Bailiff:** Well, yes, I suppose the alternative is we have an amendment that deletes Proposition 38(j). Maybe the shortest and simplest thing is to allow people to vote individually on sub-sections, but I am not sure that is good practice, but we will do that on this occasion. We will put 38(j) separately.

3045 **Deputy Lester Queripel:** Thank you, sir.

The Bailiff: Right. He is finished. Yes. *(Laughter)*
Deputy Fallaize.

3050 **Deputy Fallaize:** Thank you, sir. That came as a pleasant surprise to me.

Right. So I think this Budget, the proposals in it, and the commentary on the fiscal and economic position could be described as mixed. In fact, when I read it I was reminded of a story which I once heard told by John Major – well actually not told by John Major, told by Chris Patton about John Major – about an occasion when he had not long been Prime Minister and he met
3055 President Boris Yeltsin in 10 Downing Street for the first time. One of John Major's aides later said that President Yeltsin was not at his most lucid and it was conceivable he had taken wine the evening before. That is a slight aside to the story, but John Major looking to make conversation said to President Yeltsin, 'President Yeltsin, if you were asked to describe the condition of public finances in Russia at the present time what would you say?' President Yeltsin said, 'Good', and
3060 John Major then looking to take the conversation on further said, 'And if you were to be asked to provide a little more detail and to describe further the condition of public finances in Russia what would you say?', and President Yeltsin said, 'Not good'. I think this Budget contains some things which are good, and some things which are not good.

On the surface it is quite good. Income Tax receipts clearly in 2017 were well above what was
3065 forecast, and Committees have underspent on both the total of formula and non-formula expenditure by nearly £4 million, leading to a pre cap-ex revenue surplus of £58 million. Now, for those of us who have been here a little while and lived through Budgets presenting figures far worse than that, that is very good news indeed, and I think is to the credit of the States, and in particular to the Policy & Resources Committee.

3070 Clearly, there has been, and continues to be, quite considerable discipline and restraint among spending Committees and, as a consequence of that, there are increased allocations to the Capital Reserve and to the Core Investment Reserve.

Although I have slightly mixed views about the role of personal allowances and whether they really provide a cost effective way of assisting people who need assistance, I suppose it does have
3075 to be good news that personal allowances are being increased by 5% for some. The universal personal tax allowance is being increased by 5% for some.

Also the personal tax system is being made slightly more progressive. That word is bandied around, I think, a bit liberally by Policy & Resources Committee. I do not think that simply withdrawing tax allowances down to a certain relatively high level of income and then doing
3080 nothing else to the rest of society is terribly progressive. I mean, actually, in terms of the effective rate that a person is paying they are going to have to be a very high earner indeed before they suffer any kind of withdrawal of personal allowances, and a person earning £100,000 will proportionately have a more generous arrangement than a person earning £40,000.

So, I think that there is quite a lot that needs to be done in addition to what is being proposed, but, these measures are making things slightly more progressive. There is also some sign of scope
3085 now, for investment in new or expanded services, and that is to be welcomed, because it is many years since we have been able to say that.

However, there are some worrying signs in this Budget, I think, not perhaps in terms of the headline figures, and Deputy St Pier was right, probably, to say that all the surprises were pleasant
3090 surprises. But, paragraph 6.13 highlights the gap between the anticipated cost reductions and the savings actually made, and expected to be made. Now, we are talking here only about two years – the actual year 2017 and the Budgeted year 2018 – and already in that two-year period there is a cumulative, or aggregate, gap between the anticipated savings and the realisable savings of £4.5 million. It tells us that of the 2018 Budget reductions proposed £1.5 million is yet to be
3095 specifically identified, and in addition, Committees are yet to deliver £2.4 million of the Budget reductions applied in 2017. So, £4½ million of the efficiency savings identified for two calendar years either have not yet been identified, or if we are dealing with retrospective savings have not been achieved.

Now that, I think, puts into some context the challenges which are going to arise as a result of the savings targets set out in the Medium Term Financial Plan, about which, as I said during the
3100 debate on the plan, I remain very dubious. It will be very interesting to see this time next year whether any of the 2017 savings as yet unrealised of £2½ million have actually been delivered, and whether all of the £1.5 million projected savings for 2018, but not yet realised, end up being realised. I am not sure they will be.

Paragraph 6.3 tells about opportunities for efficiency savings which arose from the work that PwC did. Although I take the point that Deputy Lowe has made several times, that most of the recommendations in PwC's report came from our own staff in any event. I am sure that is true, but in a sense I think it makes what I am about to say even more powerful. I do not quite understand why some of them have not been pursued more enthusiastically, because at paragraph 6.3 there
3110 are initiatives such as the merger of the Fire and Ambulance Service; such as the merger of the Training Agency and the College of FE and others; such as different ways of managing offenders, which may reduce overall costs and provide wider benefits.

Now, I think there is, I do not say lack of work, but I think there is a lack of evidence that these sorts of efficiency opportunities are being pursued as enthusiastically as they should be pursued. The problem is that if these opportunities are not pursued, where you can have genuine efficiency
3115 savings – in other words, you can reduce expenditure without cutting services – the only options left are to raise taxes more than forecast, or to cut spending more than forecast in a way which will impact on services.

Perhaps the Committee for Education, Sport & Culture is most in the firing line in this respect, simply because of the significant financial challenges which they face, which are made very clear in this Budget. At page 47 we are advised that the 2018 cash limit, which is proposed for the Committee for Education, Sport & Culture – I notice that Deputy le Pelley is not in the Chamber, but he probably is listening, and perhaps he, or one of the other members of his Committee, could speak about this when they speak – there is a difference of £3 million in the actual spend of
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3125 the Committee for Education, Sport & Culture and the proposed Budget for 2018, as I understand it.

Now, £3 million is a very significant sum of money, and I do not see any evidence being presented either by that Committee, or the Policy & Resources Committee, that it is going to be possible for that Committee to meet, and live within, its 2018 proposed cash limit. Now, I am not
3130 saying this to criticise the Committee for Education, Sport & Culture in this matter – I do not support them in everything they are trying to do at the moment – but in this particular matter, my sympathy is more with them than it is with the Policy & Resources Committee.

I think that the opportunities for genuine efficiency savings, which do not hit frontline services are probably overstated. I am slightly surprised actually that the Committee has not laid an
3135 amendment to this Budget, but the only qualification to my support for the Committee in respect of their Budget challenges is this. I think that it is a real problem if a Committee is facing significant budget challenges and is telling the States it is hard to live within their budget without cutting frontline services, if they then demonstrate that they are not prepared to confront and fulfil the opportunities to make savings where there is no cut in frontline services.

I do not want to labour the point which was discussed at the last States' meeting about primary school rationalisation, but that is a classic efficiency opportunity. The students who have lived through primary school rationalisation in recent years, and the students who would previously have been to schools now closed, are not receiving an inferior education at their current school than they would have received had those schools remained open. They are in
3145 outstanding primary schools, and yet in amongst the considerable overspend of the Committee and this gap of £3 million between this year's expenditure and next year's proposed budget, some of the members of that Committee were pictured in *The Press* last week, giving their parishioners assurances that under no circumstances would they contemplate the merger of schools, which are operating – or one of them is, anyway – outside of existing States' policy as one-form entry schools.
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Now, that is just one example. But I do not understand. What I think I am saying is, the sympathy of the States for any Committee in meeting its budget challenges – and this is particularly true for Health & Social Care and for Education, Sport & Culture, because their budget challenges are greater than everybody else's – I think they will have the sympathy of the States, so
3155 long as they demonstrate that they are determined to generate genuine efficiency savings which can be realised without cutting services.

As an Assembly, I think we need to see more evidence – not from Health & Social Care, because their budget clearly is now under much more rigorous control – but we do need to see more evidence primarily from Education, Sport & Culture, but to some extent from Home Affairs,
3160 in response to the PwC Report, of ways in which they are prepared to reduce their expenditure by changing services, changing the way service is delivered, but not necessarily cutting services. Primary schools rationalisation does not cut services. It changes them, but it does not cut them, and that is only one example.

One Proposition which really does concern me in this Budget is 25. Now I saw earlier that
3165 Deputy Parkinson was rising to speak and perhaps he will be speaking to Proposition 25, which is the one that relates to the States' Trading Supervisory Board. This proposal to issue them with a target minimum contribution of £5.5 million in 2018 does concern me. I think I am right in saying that the present return is somewhere around, is it, £2 million or £3 million or £3½ million, I cannot remember. I read it earlier in the Budget, but in percentage terms, what is proposed here is a very
3170 substantial increase in the returns anticipated from the States' Trading Supervisory Board.

Now, maybe Deputy Parkinson is going to stand and tell the States that this is entirely possible, simply by generating a little more revenue where consumers are paying insufficiently at the moment, or by rearranging property, or any other way. But I have a significant concern, when one considers we now call them trading assets, but we are talking about water consumers,
3175 electricity consumers, users of the harbour, users of the Airport, and purchasers of milk and milk products at the Dairy; and I am concerned that if we load too much expectation on the States'

Trading Supervisory Board in terms of its returns to general revenue, then yes, we will avoid the burden being placed on taxpayers, but we will place an additional burden on the consumers of those products, and in many respects they are one and the same person.

3180 Very briefly, P&R talk about the challenge of widening and broadening taxation, and there is a quite sobering paragraph, I think it is paragraph 1.24, which says:

... unless economic growth outstrips the assumptions used in the MTFP, resulting in higher tax receipts, there will be a need to consider wider increases in taxes and/or duties or new taxes in accordance with the following States' Resolution.

– which is then repeated.

Now, I think that is a very significant section of this Budget Report, because that is the Policy & Resources Committee saying that if the economy performs as they expect it to perform, then in
3185 future years they will need to propose wider increases in taxes and/or duties or new taxes. Now, I think that it is easy to pass over that in this Budget Report, because such measures are not being proposed. But I think the States is going to face some very difficult decisions in future Budget Reports. But I hope that does not prevent the Policy & Resources Committee from coming forward with such proposals. But we are in this term, if we are to carry out what the States
3190 approved in the Medium Term Financial Plan we are going to be faced with significant reductions in Committee expenditure and significant increases in taxation. That is the future mapped out for this Assembly, and it is going to take quite a lot of will, and perhaps courage, to meet that challenge.

Finally, Proposition 13, I am not terribly enamoured of. This is the one about independent
3195 taxation. Now, I think that Policy & Resources has resiled slightly from their original position here, or certainly from the position that, I thought, the old Treasury & Resources Department were getting to. Yes, independent taxation is a good idea, there are reasons of equality for doing it, and for treating people the same irrespective of their marital status, of their status of cohabiting. All of that is good, but I do not think independent taxation is truly independent taxation unless the
3200 allowances cannot be transferred. What is proposed is independent taxation up to a point, because it permits allowances to be transferred within households.

Now, I do not think that that is necessary. That is disproportionately beneficial to people who need the assistance of the States less. I think Deputy St Pier knows that, and I think that argument is consistent with the argument he made in relation to Deputy Roffey's amendment earlier.

3205 I do not understand why, if the States is moving to independent taxation, and there are a couple, married or cohabiting or whatever, in the same household, and perhaps one of them is working, earning let's say £80,000 a year, and the other is not working by choice, I do not understand why the former should be able to transfer his or her personal tax allowance to the latter. If we are truly trying to be progressive and to ensure that allowances and benefits are
3210 targeting those in most need, I think we should move to full intendents taxation and not allow allowances to be transferrable.

Now, the problem is that this Proposition, if it is approved, will destroy any possibility of moving to a purer form of independent taxation. So my instinct is to vote against Proposition 13, but perhaps when he sums up, Deputy St Pier could advise the States whether, if the States vote
3215 in favour of Proposition 13, his Committee would, in future years, consider moving to a purer form of independent taxation and taking away the transferrable allowances feature.

Thank you, sir.

The Bailiff: Deputy Soulsby.

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Deputy Soulsby: Sir, I will speak firstly on the Budget so far as it relates to the Committee for Health & Social Care, and then in a personal capacity.

Firstly, I thank P&R for appreciation in its report of the savings made by the Committee to date and our commitment to managing our budget.

3225 Members will see that the Committee has accepted a £3.6 million reduction in its budget from
2017, which represents £2 million already banked and as set out in a successful amendment laid
against the Medium Term Financial Plan earlier this year, and a commitment to a further
£1.6 million for next year. This represents a 3% saving against an overall savings target of 1% for
the States as a whole. The programme of system grip and service improvement has made this
3230 possible. This will continue and become embedded in business as usual.

However, we have to realise that whilst the work done to date demonstrates that there are
inefficiencies in the system, this must not distract from the very real pressures of an ageing
population, medical inflation, and high expectations over the coming years. More on that when
we publish our policy letter.

3235 I should also like to assure Members that we are committed to transforming our services and
making the savings we can. However, this will not be at the expense of a fall in standards, a
deterioration of the environment or most importantly the safety of our service users. Just as an
aside and in the immediate future, we do have concerns about the impact of winter pressures,
which are likely to kick in at the beginning of the year. In particular the bad flu season experienced
3240 in the southern hemisphere in the last winter, if replicated here could potentially put considerable
strain on the system, and I suspect costs will increase as a result.

In terms of the Policy & Resource Plan, we are pleased that the recommended priorities that
we provided to P&R have been accepted by them, and form part of the final 23. In particular,
apart from our transformation programme, the Health & Social Care Regulatory policy and Health
& Wellbeing policy will have a major part to play in moving towards a more sustainable model of
3245 health and care, and which will become clearer when our policy letter comes out.

We are particularly excited about what the Bailiwick Health & Wellbeing Commission could
achieve, and thank P&R for approving the matched funding in relation to this initiative. It should
also be noted that apart from the Budget, the Healthy Weight Strategy and Drug and Alcohol
3250 Strategy, the Health & Social Care Committee intends to provide £310,000 of funding from
savings already made into this preventative approach – which has not been set up entirely for
Deputy Gollop, by the way. This will represent a significant commitment towards prevention,
which is crucial to the sustainability of health and care in the Bailiwick.

Moving on to other specific areas of interest to the Committee, whilst we have not been
3255 involved in the discussions, we welcome the establishment of a social investment commission.
However, whether that is enough to ensure the longer-term sustainability of the third sector
remains to be seen. There is clearly a duplication of effort when it comes to back office support
amongst the many charities that exist, and one way of providing greater resilience would be for
there to be consolidation of the sector. Another would be for Government to help provide some
3260 of those resources in a joined up way, and again, this is something we will reference in our policy
letter.

In terms of Excise Duty on alcohol, and more particularly paragraph 5.76, we have indeed
received a letter from P&R since the Budget was published, with regard to providing a clear
direction in the same way as is given for tobacco. I have advised the P&R President in response
3265 that the Strategy which Health & Social Care took over from Home Affairs earlier this year
concludes at the end of 2020, and so it is likely that a formal review will not be considered, or
concluded, until after this political term. Therefore we may need to look at this separately from
that process. It should also be pointed out that we consider that an increase in Excise Duty may
well be just the blunt instrument in dealing with alcohol use. As part of the P&R plan, and
3270 included in our submission to P&R, under health and wellbeing promotion we include a key
initiative in relation to the Drug & Alcohol Strategy to be a consideration of minimum unit pricing.
We think it may be worth looking at Excise Duty as part of that work.

In terms of a sugar tax, the principle has been considered by the Committee, who wish to
pursue this further, and our officers are in discussion with our counterparts in Jersey to look into
3275 the application of a sugar tax that could be implemented across the Islands. The evidence for such

a tax is growing, but that does not necessarily mean it will take the form of that which will come into force in the UK in April next year. We need to consider what works for the Islands.

3280 Now, speaking personally, aside from highlighting all the great things we are doing at Health & Social Care, the most important section of this Budget is on page 20 – the Economic Development policy. Until we know how we are going to support our economy, the States of Guernsey Budget is really just an exercise in treading water. Deputy Ferbrache said earlier it needs some oomph and I totally agree. The fact we have sensationalist journalism now in mainstream media that is selective of its stories for headline news shows how important it is under the current climate.

3285 Deputy Ferbrache has raised expectations that his policy will be radical, and I do hope he is right. We have a Budget balancing raising income and saving money, and there really is nothing wrong with that at all, but what it lacks is the support for growth and that is nothing new. We do little to support businesses – except those that are State-owned, of course. I get incredibly depressed when I see considerable resources put into a GDPR report, that is basically a copy of the UK, a Population Management Regime that was passed its sell by date before it became law, and Brexit, which may not even happen at all. A lot of time and resources that will do absolutely nothing to give our economy oomph. What we need is a business-friendly environment.

3295 Now, I called for a red tape audit in the last term, and I think this was completed by Commerce & Employment after I left. Therefore, I do hope that within Economic Development's policy letter are recommendations to rescind unnecessary red tape, and support business the best way Government can, which often means to leave it alone as far as possible.

3300 Tomorrow we will be asked to approve yet more legislation. But I cannot recall the last time legislation was rescinded, other than because it was being replaced. So, we seriously need a policy that supports economic growth, but at the same time a growth mind-set – to put in old fashioned language, a can-do attitude. That is not just in Government but in business and the wider community. At Health & Social Care we are doing our bit, and that will hopefully become apparent when we publish our policy letter. But it needs collective effort to get the economy moving. The recent so-called revelations over so-called tax havens should be a wake-up call that instead of focussing on regulations and red tape which will not satisfy anyone, we need to take a positive approach to support a thriving economy before it is too late.

The Bailiff: As it is much warmer in here this afternoon, those who wish to do so may remove their jackets.

I will call Deputy Parkinson.

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Deputy Parkinson: Thank you, sir.

Well, the States' Trading Supervisory Board has been mentioned a couple of time in debate, so I will start by responding, as best I can, to questions and comments directed at me in that regard, and then add a few personal comments on the Budget.

3315 I think Deputy Green and Deputy Fallaize, both, in one way or another, raised the question of the contribution expected from States' Trading Supervisory Board in this Budget. As they point out, Proposition 25 requires us to produce:

£5.5 million of capital returns, in addition to any dividend paid in accordance with the existing policy.

Proposition 26 asks the States:

To approve that returns of capital from the States' trading assets and capital income in 2018 be transferred to the Capital Reserve.

3320 Deputy Fallaize asked was this achievable? Well, more or less. I can report some good news for Deputy St Pier, we think we will hit the £5 million target for 2017, by dint of borrowing to refinance two cranes, and therefore refunding the Capital Reserve with the cost of those cranes,

which will put £4 million back into the Capital Reserve and we have £1 million of regular dividends which was already in the bag, so we think we can get to the £5 million this year. We accept the target of £5½ million for next year, but Members just need to understand that these will be capital dividends in addition, as the Resolution says, to any dividends paid in accordance with existing policy.

So they will be achieved, basically, by refinancing assets, or similar interventions in the capital structures of the trading assets, and fortunately Proposition 25 says that the amounts hewn they are paid up to P&R then get added to the Capital Reserve, but of course, since P&R has been using the Capital Reserve and transfers to the Capital Reserve as, in effect, the balancing item in the Budget for some years now, there is very little difference in practice between money going into the Capital Reserve as a capital dividend and in fact a revenue distribution to P&R, because if we put in more in terms of our contribution into the Capital Reserve, P&R may reduce its contributions or use revenue surpluses for other purposes.

So, we have not demurred at this Budget, we accept the challenge, and we will try our best to achieve the targets, but Members need to understand that this will be solved, if we can solve it, by pieces of financial engineering, not by, as it were, taking more money out of the consumer, or increasing regular dividends from the trading assets.

I think it is worth making the point that, actually, even if we were allowed to under the Law – and in some cases we cannot really; the Water Law, for example, does not allow us to raise charges for water for purposes of paying dividends for General Revenue, but even if we could – if we could increase the margin, it has been calculated, on all of our trading assets. There are nine businesses, if we could increase the profit margin by 10% across the board that would be either by putting prices up by 10%, or driving costs down by 10%, but just increase the margin by 10% that would produce annually a total of £1.6 million – against the £30 million target that we are supposed to contribute under the Medium Term Financial Plan. So, actually, we are not directed to achieve extra dividends from revenue profit, but even if we were the scope for doing this is not going to come anywhere close to the £31 million we are expected to produce over the term of the Medium Term Financial Plan.

Deputy Laurie Queripel questioned changing – on a different subject – whether Aurigny's borrowings truly qualify within the terms of the borrowing policies of the States. It is true Aurigny has made losses for many, many years. But it always trades with the hope of making a profit (*Laughter*) and it is indeed the intention of our board to return it to surplus.

Of course, that will involve some unpopular decisions, as we saw over the closure of the London City route. But nevertheless, I have always believed that where a route needs to be subsidised for economic development reasons, or social reasons, or whatever, then that subsidy should be explicit. For example, under the new PSO on the Alderney routes then there will be an explicit subsidy, not necessarily paid to Aurigny, paid to whichever airline gains the contract to run the Alderney routes, and the States will just have to admit that it costs whatever it costs under the PSO to maintain those routes, instead of disguising the subsidy in the losses of Aurigny that cost should be clearly identified. The same would have gone of course to the London City route. Had Economic Development decided to sponsor that route, then the subsidy to the operator on that route needs to be clearly identified, and not just simply wrapped up into the operating losses of Aurigny.

More generally on the Budget, I felt that in a way the elephant in the room has not been discussed. Deputy St Pier in his report, I think it is at 5.8, says that if there is a change in the –

[P&R] will continue to monitor the appropriateness of the corporate tax regime and will report back to the States as and when it considers any other changes should be made, taking into account international ... developments ... [etc.]

Now, Members will be aware that there are considerable developments going on, and I had hoped that Deputy St Pier might take the opportunity of his opening speech to make some comments on those developments, but perhaps he will take the opportunity of his closing speech to respond to my questions on that subject.

By way of background, Members will, of course, remember that in 2016 the EU adopted what they called an anti-tax avoidance package, and on 15th September 2016 they created a scoreboard of indicators for determining what is, in their view, or what is not a tax haven, or a non-co-operative tax haven. At the end of 2016 they made a selection of jurisdictions for screening. So on 1st February this year they wrote to 92 jurisdictions, and we know that Guernsey was one of them, informing them that they would be screened and questionnaires were sent out and those questionnaires had to be returned in the summer.

Then my understanding is that at the end of last month – I learned this from the FT – the European officials told 53 countries that they risked being blacklisted. Apparently, according to the FT these included Bermuda, the Isle of Man and the Cayman Islands, but the FT did not mention the Channel Islands. So, one of my questions to Deputy St Pier would be, has Guernsey been informed that it has received such a warning?

Also another recent development, of course, we have seen the publication of the so-called *Paradise Papers*, the leak, that was the source of this information took place about a year ago, but the journalists to whom the information was leaked chose to release that information into the media only in the last week and the timing of that was very clearly, in my view, intended to influence the ongoing process at the EU.

We understand that the EU Finance Ministers are meeting today, even as we speak, to start the process of deciding which jurisdictions will appear on the final blacklist. That list will be agreed by the end of this year. The release of the *Paradise Papers* has had some effect because it brought forward that first meeting to consider the review of the 53 jurisdictions still in the frame from some future date to today, because the EU Commissioner in charge wanted to accelerate the process.

Now we do not, obviously, expect any conclusions today, but there may well be hints as to the direction of travel in the media in the coming days. So, I suppose my question to Deputy St Pier in the light of his comments at 5.8 is, if Guernsey does appear on the final blacklist, whenever it is produced, will P&R immediately begin work on a review of Guernsey's corporate tax system, and consequently a review of Guernsey's fiscal strategy in general? If the list appears before the end of this year, as intended, how quickly do P&R expect to be able to respond?

The Bailiff: Deputy Prow has been waiting a long time.

Deputy Prow: Thank you, sir.

I must apologise up front to P&R if the specific point I make to them is a bit grumpy, but before I do, I sincerely thank and mostly fully support the Budget and I congratulate them on much good work where real results have been achieved.

I further echo the congratulations of Deputy Roffey to Deputy St Pier for rebutting various media attacks upon the Crown Dependencies (**Several Members:** Hear, hear.) who lead on robust regulation and tax transparency. The media should focus on the larger jurisdictions which allow avoidance to happen in the first place.

Returning to the Budget, sir, I wish to refer to sections 1.25 and 1.26 on page 6 of the Billet under future years. I have read the words but I do not really get what they mean in practical terms. These sections relate to expectation for 2019 Budget, I quote:

... the emphasis on savings must be able to shift from Committee specific measures to the majority of savings arising from delivery of ... shared initiatives.

– and –

... in order for this to happen, and ensure that lessons learned from the failure of the Financial Transformation Programme to [fully deliver] what were termed as 'corporate' savings, these initiatives will need to be supported and co-ordinated by ...

– essentially, sir, by P&R. I think there is a caveat that, ‘their successful delivery will require full support ...’ – and ‘full support’ is underlined – ‘of the Principal Committees’.

3420 Sir, I hope the underlining is not sub-text for, if we do fail and do not learn the lessons from the failures of the FTP, it could well be because we did not have that full support. I am just not clear under this new system of Government, which clearly mandates the corporate responsibilities to P&R, as to what exactly is this full support which is being so vehemently required.

3425 Sir, I sit on two operational Committees: Home Affairs and Health & Social Care. The reality is, whatever the sections quoted say, the vast amount of budget allocated by the States relate to those functions which are, and have in this term of Government and to some degree prior to this, been controlled centrally by P&R. Sir, I refer, in particular, to staff, IT, human resources, premises and finance. The senior staff who manage these functions are described as business partners, and they are already line managed by the Civil Service leadership team.

3430 Despite P&R spending considerable sums employing firms of accountants, it is abundantly clear that transformation, including some spend-to-save initiatives, are urgently required, and that the previous FTP processes have not made the progress they should have done over the last five years or so.

3435 However, as Deputy Gollop has picked up in some of his speeches, I am not a massive fan of the current system of Government we have inherited in this term from the last States. (**Severall Members:** Hear, hear.) I actually have got a lot of sympathy for P&R and where they find themselves in this area of oversight. I believe the Machinery of Government disconnect between the Principal Committees who deliver services and the corporate service function is apparent and the real underlying issue is teased on in section 1.26. A slave to two masters is a free man, and the Civil Service leadership team have at time needed to face two ways, and been forced to play one priority against another. However, if service delivery to the public is under pressure it is the Committee who is responsible that will receive the heaviest challenge.

3440 Sir, I should make it clear that I am not speaking on behalf of the Committees for which I serve, but it is my experience that on both, we have managed those parts of the budget under our mandate well, and in Health & Social Care, as Deputy Soulsby has alluded to, we have, in my humble view, realised significant budget reductions.

3445 I can also assure Deputy Fallaize that the initiatives that he referred to are being progressed properly by the Home Affairs Committee, including the one that he records in the PwC report, although the information in that is very sparse indeed. That responsibility now falls to Health & Social Care, and I can assure him that the Home Affairs Committee will be supporting HSC in that regard.

3450 I would like to, perhaps, put the boot on the other foot, never mind the 2019 Budget, the Committee I sit on have reported to P&R that substantial savings could be made regarding property, and this is referred to in Deputy Lowe’s speech, by moving services out of buildings we pay rent for into empty States-owned property, and this also applies to HSC. We find that our staff doing similar jobs are on different pay and conditions and they are barriers to effective recruitment and retention, because of the disparate and outdated remuneration packages.

3455 There are long standing HR issues around staff morale and performance management issues. Our service heads report some issues with IT support and finance. Indeed, there are very apparent pressures on finance business partners. Again, Deputy Lowe referred to this. One of whom is shared by Home Affairs and another large Committee, which does not always engender timely financial information. I know that running the corporate functions are not easy by any stretch of the imagination.

3460 But, as I said, many of these issues and financial opportunities have been around for many years, and some are indeed contained within the failed FTP. Reform of these areas, whatever we call it, must be progressed corporately, now and at much greater speed; 2019 is too slow, because a lot of the low hanging Principal Committee fruit has been picked.

Sir, what is there not to fully support by any Committee? If ‘fully support’ means that the Committee should shout all this louder, then it has my vote, but I am not going to wait until 2019.

Thank you, sir.

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The Bailiff: Deputy Roffey.

Deputy Roffey: Thank you, sir.

I have got a few general comments on the Budget.

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First of all, I would like to pick up the one, I think, raised by Deputy Fallaize, about independent taxation and transferable allowances. I think he was getting some empathy from Deputy St Pier who seemed to be nodding.

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I think there is a dichotomy here, because these days in the modern world most couples, whether they are married or otherwise, will have both partners working. But there are two very disparate groups of exceptions to that. One is where one of those partners is earning so much that there is actually no particular financial imperative for the other one to work, and in those circumstances I think none of us would have a real problem if there was no transferable allowance from the non-economically active to the economically active. But the other group are people who, for a period of time after starting a family, one of the partners stops working, usually the mother –

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not always, but very often the mother – and in those circumstances to withdraw the transferability would mean that just at a time when their costs have gone up and their income has gone down so has their allowance. To me, the answer to that actually comes back to another point Deputy Fallaize was making, that is simply not giving allowances to people at the top of the income scale, and I will come back to that in a minute.

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Sir, it is gratifying in some ways to be part of an Assembly which for the first time in many years is paying into Guernsey's depleted reserves. But, I do not know, something at the back of my mind thinks that it does not feel very real. It is not really due to a proper surplus in the old fashioned sense on our revenue account, but it is largely being achieved through a series of one-off measures, some of which smack a little bit of smoke and mirrors. As has already been brought

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up, looking forward, the books really only balance because of payments from the trading entities, and those payments are only going to be possible because of change in the approach to funding infrastructure, as Deputy Parkinson explained, from one of using accumulated surpluses, which is what we used to do, by and large, to using one of borrowing instead.

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So, bearing in mind that these trading entities are wholly owned by the States, if we step back and instead look at the financial situation from the perspective of the States as a whole as opposed to from general revenue, then it looks to me like we are borrowing in order to pay into our reserves. That seems a little bit odd to me. I am not sure that it is actually particularly prudent.

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I do not buy this argument; it was put forward very strongly by Deputy St Pier at a recent Scrutiny Bond hearing. I do not buy this argument about it necessarily being right for future generations to pay towards the infrastructure because they will benefit from our current investment. I think this generation is really having its penny and its bun – sorry, to use your expression, Deputy Gollop – because it has inherited an infrastructure which has largely been paid for from previous revenue surpluses, but then it is deciding to hit on its children because they are going to benefit from the investment we are making now. Frankly, rather than being a principle

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start, it smacks of being a selfish argument to help us out of a tight spot, and maybe we need to do it, maybe we are in a tight spot, but if so, let's be honest.

In a way it seems like it is trying to make a national debt sound like a good thing – a good principle and correct thing to do. When the experience of 101 other places shows, actually, by and large, a national debt is a thoroughly bad thing.

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So, I am really mindful to vote against Proposition 25. Now, will that leave us with a big hole in our finances? Well, from general revenue's point of view perhaps it does, but when you step back and say we are only propping up those finances by actually borrowing for key bits of our infrastructure, I am not sure that globally it makes any difference, it is just us being more realistic about the situation that we are in.

3520 Just moving on, I am also really quite uncomfortable about the special tax breaks to be given to wealthy purchasers of expensive Open Market properties. Not because I want to soak the rich, not because I am lurching to the left, but more because these people will be taxed very differently to the equally wealthy local person, on exactly the same income, living next door. Not only that, what about encouraging wealthy people to the Island, then why are they going to be taxed very differently to another wealthy incomer on the same income who arrives in Guernsey at the same time but who happens to have been given permission to live in a Local Market property, on which he may have paid an equal amount of Document Duty, because there are certainly top end Local Market properties going for £1½ million, £2 million?

3530 If it is all about attracting rich people to Guernsey then why only on the Open Market? It feels all wrong to me, but I am going to listen to debate, and I may be willing to go with it just to boost the flagging Open Market, but I give two warnings. Firstly, that three years for the individuals concerned has to be the absolute limit, otherwise we are embedding. We have heard a lot about discriminatory approaches before, this is a really discriminatory approach. Not only that but I think the whole regime should be a temporary one, and kept under regular review.

3535 Sir, I note that Fuel Duties are going up significantly again – they have to. We cannot reduce the amount that we are taxing motoring by, but we really do have to make sure that by this time next year we have proposals to raise that money from motoring in a different way.

I want to say a few words on the Policy & Resources plans that we are being asked to endorse as part of this Budget Report. Firstly, the population policy. Now, I agree that we need one, and that is really all it says in the report before us, but the background document that it refers to talks about improving our dependency ratio. Well, that will be a real neat trick if you could do it without increasing our population significantly, but, sadly, I am not convinced that that is possible.

3540 One way of doing it is a revolving workforce through issuing medium-term employment permits, rather than giving permanent resident rights, to every skilled worker that comes to Guernsey. I actually think that part of our new population regime is working well. Not so sure about the short-term permits, but we will have a chance to discuss that – in fact two chances to discuss it, just like London buses – later on this month.

3550 Yes, the population policy as a whole does prevent everybody who works here for a period from growing old here. But then we have been doing that for decades through the old Housing Law, and I am not sure we can take that policy much further without undermining our sense of community.

Significant youthful migration could be another way to improve our dependency ratio for a generation, but then we would face exactly the same problem, but with a higher population base.

3555 Sir, an older demographic is here to stay. There is no dodging it, and rather than focusing our population policy on trying to deny that fact in some Canute-like gesture, I would prefer Guernsey to try to adapt to that new reality, on facilitating and encouraging people to work for longer. The real way to improve our dependency ratio is by ensuring that older Islanders are not necessarily dependent on anyone but themselves, for as long as possible.

3560 But for goodness' sake, I am going to just be honest here, I know population growth is good for economic growth, and we keep hearing when the population does go up a bit it will be heralded that we have turned the corner, but I think that Guernsey is already very densely populated, and I for one do not want to see a continuation of the trend of population growth going on relentlessly as it has throughout my lifetime.

3565 Mr Bailiff, I have to say, it has me scratching my head, when I see senior politicians who stand in this Assembly abrogating population growth, or economic policies that automatically lead to population growth, who welcome population growth, then marching through the streets to object to new housing projects. How does that add up?

3570 The other policy plan bit of this report – and I have only got two or three minutes – I want to mention is the bit on international standards. In particular, it mentions CEDAW in this report. Well, it has been the policy of this Assembly to sign up to that convention, literally, for decades now. So my message to Members is, for goodness' sake either let's get on with it, let's get on with it and

accept that will mean equal pay for work of equal value, do not say that is too difficult ... Either get on and actually do it, or else, admit to the world that Guernsey is actually a tad misogynous and we do not want to do it. The memsahibs here will just have to accept they may not be paid the same for work of equal value. I think it will be the former, but, frankly, this endless decade after decade of procrastination is an embarrassment, I think.

Now, finally, I want to go back to the subject of Income Tax allowances. I would like them to be much higher. I would like the point at which people start to pay tax to be much higher. Instead of *circa* £10,000 I think they should be *circa* £15,000, but I fully accept we cannot afford to reduce our total tax take. So how to crack that conundrum? The real problem is that Income Tax allowances are fiercely expensive to increase. Why? Because they do not discriminate between those who need them and those who do not.

Now we heard this morning, Deputy St Pier saying that his extra £500 was going to be allowances which relates to £100 more in your pocket, will be particularly helpful to those on low incomes. I do not see that; the person on £20,000 and the person on £50,000 are both going to be given an extra £100 a year in disposable income. Proportionately, maybe that might mean for the person on low incomes, but they are not helping them anymore than the people who are quite well off.

I know we are now phasing out allowances for the very high earners, but I do not think we have been nearly radical enough. If we increased our allowances to £15,000, but started to claw them back at really quite a low rate at say £25,000, we could ensure that anybody earning less than a median income, which is just over £30,000 – it is about £32,000 – paid less tax than they do at the moment, while the reasonably well off were taxed slightly higher. We would still maintain a maximum Income Tax rate of 20%, but 20 would mean 20. That concept would be reached at a far lower income level than the one currently operated. It would be a cost neutral way of making a really significant difference to the lives of those on modest incomes in Guernsey. I do not accept the only way you can do it is putting everybody on welfare. This is a way that could make a real difference in a cost neutral way. Would the well-heeled object? Well, of course they would – especially the middle earners with little Johnny going to school and their mortgage payments that they are not even going to get the relief that they used to get. They will object and I do not blame them, but sometimes we have to make choices, and they will all object very strongly because they are the articulate and they are the influential in this Island, but sometimes we just have to do what is right, notwithstanding any incoming fire. I really ask for a far more radical look at how we use Income Tax allowances in Guernsey.

The Bailiff: Well, it is 5.30 p.m. We will rise and resume in the morning.

The Assembly adjourned at 5.32 p.m.