OFFICIAL REPORT

OF THE

STATES OF DELIBERATION OF THE ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Tuesday, 26th June 2018

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Present:

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

Law Officers

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

People's Deputies

St Peter Port South

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

St Peter Port North

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

St Sampson

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

The Vale

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

The Castel

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

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The South-East

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

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

C Foster (H.M. Deputy Greffier)

Absent at the Evocation

R. M. Titterington, Q.C. (H.M. Comptroller)
Deputy M. P. Leadbeater (*absent de l'Île*); Deputy L. S. Trott (*relevé à 10h 16*); Deputy A. H. Brouard (*relevé à 10h 08*); Deputy V. S. Oliver (*indisposée*);

Business transacted

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States of Deliberation

The States met at 9.30 a.m.

[THE BAILIFF *in the Chair*]

PRAYERS
The Deputy Greffier

EVOCATION

CONVOCATION

The Deputy Greffier: Billet D'État XVII of 2018. 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 26th June 2018 at 9.30 a.m. to consider the item listed in this Billet d'État which has been submitted for debate.

Billet d'État XVII

POLICY & RESOURCES COMMITTEE

**I. States of Guernsey Accounts 2017 –
Approved**

Article I
The States are asked to decide:
Whether, after consideration of the reports, statements and notes relating to the respective Accounts, they are of the opinion:
1. To approve the States of Guernsey Accounts 2017
2. To approve the following 2017 Accounts:
i. Ports
ii. Guernsey Water
iii. Guernsey Dairy
iv. States Works
3. To note the following Accounts:
i. Social Security Contributory Funds
ii. Elizabeth College
iii Ladies' College
iv. States of Alderney

The Deputy Greffier: Article I – The States of Guernsey Accounts 2017.

The Bailiff: Members of the States, good morning to you all.

Before anybody asks, you may remove your jackets if you wish to do so.

In reply to a request from Policy & Resources Committee I had agreed that the Presidents of the States' Trading Supervisory Board and the Employment & Social Security Committee could make two speeches if they wished to do so. If you wish to speak at the opening of the debate – I do not know if that news has been conveyed to you – but if you wish to introduce your accounts at the opening of the debate and then speak at the end of the debate in the penultimate speeches in order to reply to any issues that have been raised, then I have agreed that may be so.

I will call first President of Policy & Resources Committee, Deputy St Pier.

Deputy St Pier: Sir, I am pleased to present to you the 2017 Accounts of the States of Guernsey.

As in previous years, the Accounts Billet also contains the financial statements of the States' Trading Supervisory Board's unincorporated trading entities: Ports; Guernsey Water; Guernsey Dairy; States Works and the Social Security Contributory Funds. I am very much aware that these sets of accounts have not received the prominence and attention they deserve in recent years, not least in my opening speech. However, these are very important sets of accounts: the trading entities have total assets of over £390 million and provide some of our key services; and the Social Security Funds total £967 million with annual contribution income and benefit expenditure each approaching £200 million per annum. So I am grateful to you, sir, as you say, for agreeing to the Presidents of the States' Trading Supervisory Board and the Committee *for* Employment & Social Security being able to speak at the beginning and the end of the debate in order to introduce the accounts, and respond to any points raised on those accounts in debate.

I do not wish to steal my colleagues' thunder, so I will limit my comments on those accounts to just commenting that there have been significant improvements in their format, presentation and disclosures in recent years – they are I think much clearer and easier to read and understand.

The States of Guernsey Accounts now focus on the overall States' finances and no longer include detailed Committee Accounts, comparison to budget and narrative on all of that. These of course were included as Appendices to the Policy & Resource Plan update which we debated earlier this month. Each Committee therefore has had an opportunity to include further analysis on the in-year financial performance, details of the services provided and outcomes achieved, of course with particular reference to delivery of the priorities set out in the Policy & Resource Plan. That also enabled committees to include a forward-looking commentary rather than purely looking back at the previous year's performance.

This year's Accounts are the first step in a fairly lengthy journey towards a full set of International Public Sector Accounting Standards – known as IPSAS. These are the first substantial changes made to the accounts since 2008, when there was an overhaul in their presentation.

The accounts include a commentary on the likely impact on the financial statements of the adoption of IPSAS. It is intended that the transition to the IPSAS Accounting Framework will take place over a number of years. It is very important not to underestimate the scale of the task involved, which is commencing with the detailed research currently being carried out to enable decisions to be made as to the timing and extent to which each of the standards will be adopted. Following this, there will be substantial additional staff resources and expenditure required, both one-off and ongoing, in order for the necessary system and process changes, staff training and ongoing resourcing of such a major change. For the avoidance of doubt, this is not an accounting exercise for the finance team, full implementation will require substantive and substantial business change to ensure that the States as an organisation, and its processes, adapt to enable the production of the information required and can benefit from better quality of information obtained.

Members may be interested to know that a 2016 IMF Report on Implementing Accrual Accounting in the Public Sector details four phases for the transition to accrual accounting from Phase 0 which is pure cash accounting to Phase 3 which is full accrual accounting. The States of Guernsey's Accounts fully meet Phase 1 and some elements comply with Phase 2. By way of comparison, the IMF has reported that in 2015, 41 national governments, that is 21%, had completed the full transition to accrual accounting; 44, or 22%, were on a combination of cash and accruals much as ourselves; and 114, 57%, were on pure cash accounting.

The 2017 Accounts have a distinctly different look and feel about them – I am sure Members will have noticed that and I am not going to repeat all the changes here – they are I think set out very clearly within the Accounts but I am just highlighting the very significant change to the aggregate all Income and Expenditure within what is now called the Statement of Financial Performance. So in addition to the previous General Revenue Income and Committee Expenditure, income and expenditure relating to the various Funds and Reserves are now incorporated – this includes, for example, the Bond Reserve, the Capital Reserve, the Core Investment Reserve, the Corporate Housing Programme Fund, Transformation and Transition Fund and the Future Guernsey Economic Fund. This development provides much greater clarity and transparency of the overall financial position of the States.

Consideration is currently being given to the extent to which the 2019 Budget will be prepared and presented in line with the changes introduced in this set of accounts, which will clearly be a logical next step if achievable in the timeframe.

Members are being asked to approve the Guernsey Accounts. Now, I must admit that this is something of an empty request as the accounts are a statement of fact and have actually been signed as such by me and the States' Treasurer, following the approval of the Policy & Resources Committee which was required for the external auditors to issue their audit opinion and report. In June 1925 – yes, that is right, 1925, almost a century ago – the States resolved that: 'The Accounts of the States be published in the body of a Billet with a proposition' – and forgive my accent, Deputy Le Tocq – *'S'ils sont d'avis d'approuver'* etc. which translates I understand as, 'If they are of the opinion to approve'

It would be more appropriate for this Resolution I think to be rescinded in respect of the wording of the Proposition and replaced with a Proposition for the States to note that the Policy & Resources Committee has approved the States of Guernsey Accounts. It would also be appropriate for the accounts of the States' Trading Supervisory Board's unincorporated trading entities and the Social Security Contributory Funds to each be the subject of separate Propositions to enable separate and focused States' debates to be held concerning them. So it is Policy & Resources' intention to include appropriate recommendations in the Budget Report to update the wording of the Propositions concerning the various sets of Accounts.

Following the finalisation of the 2016 accounts, during the summer of 2017, a tender process was undertaken to appoint external auditors for the States' Accounts. Members may recall that I advised last year that the incumbent, Deloitte, had advised that it would not be seeking reappointment. Following a comprehensive review of the tenders and interviews, Grant Thornton was appointed. Now, I regret to advise Members, sir, that the Policy & Resources Committee approved that appointment of the external auditors instead of referring it to the States as per our mandate. I apologise for this oversight and advise that an appropriate Resolution for the audit of the 2018 Accounts will be included in the 2019 Budget Report. It is considered that the requirement to refer this appointment to the States is somewhat anomalous because we are not actually aware of any other revenue contracts where the appointment is not the responsibility of the Committee concerned. At the appropriate opportunity, I will suggest that the Committee's mandate is amended. For Members' information, research is currently being carried out into the benefits of establishing an Audit Sub-Committee which will be responsible for the detailed oversight of the external audit process, much akin of course to that which exists within companies.

In February, I updated Members on the provisional 2017 year-end financial position, and once all the final adjustments had been made the actual position was very similar, so I am not going to repeat the detailed explanation I gave then, or the commentary which is included within the Accounts. In particular, the States' Treasurer's report provides a comprehensive and comprehensible commentary on the overall financial position and on the various funds and reserves. However, I will reiterate how pleased we should all be that 2017 was a very good fiscal year, which is a really encouraging indicator of renewed strength in our economy, with growth in many sources of revenue income: personal income tax; corporate income tax; Document Duty receipts and investment returns; collective underspending of budgets and a real-terms reduction in expenditure compared to 2016; and the full transfer to the Capital Reserve in line with our policy.

This is all positive, but I have to sound a note of caution: we did benefit from some one-off income receipts in 2017. We will be facing significant expenditure pressures over coming years, particularly arising from the anticipated demographic changes and increase in the dependency ratio – these are starting to materialise, for example, there is a significant increase in demand for services provided at the PEH. And 2017 was, like 2016, an exceptionally good year for investment returns – again, averaging over 10%. And of course we face the economic uncertainties associated with Brexit.

However, we should not underestimate the success of achieving a surplus – and a significant one at that – for the second year in a row. For eight years there were tough economic conditions – the Island's annual finances were in deficit and we were drawing down from reserves. For the first time in a decade we were able to make a transfer to the Core Investment Reserve at the end of last year. This is hugely significant step as it reflects financial strength and indicates confidence in the long-term sustainability of public finances.

Staff costs continue to represent about 50% of our expenditure and this is obviously a key area of our focus and attention. A significant proportion of our working population are employed in the public sector and it is important that these costs are disclosed transparently and closely monitored including, where appropriate, consideration of where the best service outcomes and value for money is achieved through in-house provision or contracting out.

Expenditure on pay totalled £223.3 million which is a real-terms decrease of 1.2%, or £2.6 million, compared to 2016. Whilst the number of full time equivalents increased by 52 compared to 2016, this is entirely within Health & Social Care where improved services are being provided more cost effectively by the repatriation to the Island of a number of complex placements, the replacement of the outsourcing contract for the Emergency Department with an in-house model, and of course the reduction of agency staff. This latter service change in relation to the Emergency Department is also the reason that the number of senior employees increased slightly in 2017 to 261. These senior employees, whose total gross cost of employment including of course pension provision ranges from £80,000 to above £250,000, comprises individuals undertaking a wide range of roles in the delivery of public services including the judiciary, hospital consultants, accountants, lawyers, police officers, teachers and so on and so on.

In the interests of transparency, as there is no requirement to report such information, details of the remuneration paid to the five individual members of the Chief Executive's Management Team is disclosed separately within the States' Treasurer's Report for the first time this year, a move which is wholeheartedly welcomed by the Committee. It is expected that this openness will be extended in future years to include other senior individuals in public service.

Notwithstanding the recognition and celebration of the 2017 results, it is so important that we do not become complacent and relax the financial discipline instilled in recent years – we must continue to focus on the medium- and long-term financial position and make plans to address challenges that we will inevitably encounter. We need to deliver on the objectives set out in the Medium-Term Financial Plan for both targeted revenue-raising from those most able to pay, and sustainable expenditure savings in order to be able to invest in new and improved services to support the delivery of the Policy & Resource Plan and to accommodate the cost pressures we are facing.

I reiterate the comments I made in February: that the need to deliver cost-effective and efficient public services should not and will not change as a result of an improvement in the economic and fiscal cycle, and it is incumbent on all committees to challenge the *status quo* and to ensure that opportunities to change the way public services are delivered are fully explored and implemented.

I am pleased that we have now put in place the architecture to oversee and drive the objective of more effective working with Jersey – something talked about for years; and also for the oversight of the three largest-spending Committees: Health & Social Care, Education, Sport & Culture and Home Affairs. I am confident that we will see delivery and progress on all these fronts in due course and I am most grateful to all involved for their commitment to effective collaboration and joint working.

We are in the fortunate position of having some £22 million available for appropriation and after taking into account the projected financial position for 2018 and 2019, proposals for the use of this surplus will be included in the 2019 Budget Report. Options include: further rebuilding of the Core Investment Reserve – this stands currently at approximately 39% of annual revenue, and the target is 100%; to enable support for future economic development initiatives by replenishing the Future Guernsey Economic Fund; to enable the acceleration of transformation to help delivery of agreed policy priorities in the Policy & Resource Plan; or to fund further real-terms increases in personal income tax allowances – or of course some combination of these.

The Capital Reserve had a balance of over £240 million at the end of 2017, there is very little I can say about the £8.2 million that was expended in year on programmes and projects, other than that it was far too little. If we are to deliver the vision of Future Guernsey – 'great today, better tomorrow' – we must invest in the Island's infrastructure, and capital plans must be accelerated where possible to ensure that our public services have the infrastructure they need, and our economy benefits from the investment. It is vital that we do not merely maintain and replace existing assets, but we must invest to enable transformation of how we deliver our services in order to help addressing the challenges we will be facing and, increasingly importantly, to facilitate and drive growth in our economy.

We have prioritised and approved a portfolio of capital programmes and projects for delivery in the period up to 2021, together with a series of pipeline projects for the following period for which detailed planning should now be commencing. It is becoming increasingly apparent that there are delays in the delivering the capital portfolio. My Committee repeats its commitment to facilitate acceleration where it is reasonable and practicable to do so, and would sympathetically consider requests for funding to supplement the existing resources available for project planning and management.

In respect of the Bond, I am pleased to be able to report that investment returns have exceeded the coupon by £9.6 million in 2017 and there was a balance of £15.6 million in the Bond Reserve at the end of 2017. The Policy & Resources Committee is currently reviewing the future anticipated cash flow of loans from the proceeds of the Bond issue – including of course in light of the States' decision to fund the solid waste infrastructure from the Capital Reserve instead of the Bond proceeds. This review will also consider whether the States should be recommended to widen the range of entities to which loans can be made. It is intended that a further update will be included in the 2019 Budget Report.

Turning now to Cabernet Limited, whilst the 2017 loss of £5.2m is obviously disappointing, it is lower than the forecast loss of £6.8m. As the company's accumulated losses have now exceeded the amount of the 2016 recapitalisation and a further loss is anticipated for 2018, consideration will need to be given as to whether to restore the company's balance sheet by a further recapitalisation and how any future losses will be funded. A large proportion of the accumulated losses relate to the Alderney routes, and the introduction of a public service agreement with accompanying funding would address that going forward.

It has been suggested that given Cabernet's financial position, the States should consider impairing the loans issued from the proceeds of the Bond issue which have been used to purchase aircraft. Whilst this will be in consideration in future years as IPSAS are implemented, it is not a requirement under the existing accounting policies. However, compliance with the proposed shareholder objectives outlined in the recent strategic review of the role and objectives of Aurigny, which was of course led by the Policy & Resources Committee, would mean that the residual loss on Aurigny's operations, excluding the Alderney routes, would be eliminated and the company will be able to move to a sustainable operating surplus year on year. The company has responded to the review and has recently introduced measures designed to improve its operating performance, including of course the withdrawal of the London City route and the introduction of a new fare structure designed to increase passenger numbers and revenues.

For Members' information, the balance sheet of Cabernet Limited does not include the inherent value of the landing slots at Gatwick Airport as an asset.

In respect of the funding position of the Superannuation Fund, the Public Sector Pension Fund, I am not going to repeat now the reasons for the well-known disparity between that calculated in accordance with the very prescriptive provisions of the Financial Reporting Standard 102 used in this set of accounts – an accounting standard, I should say, which is not primarily designed for public sector use – and the results of the Actuarial Valuation which have been recently published. At the next States' Meeting I will be presenting the most recent Actuarial Valuation, prepared on assumptions which reflect the *reality* of our active investment with a diversified portfolio, which shows a funding level of 93.5%. In 2017, the value of the Superannuation Fund increased by £125 million – that follows an increase of £150 million in 2016 – so over this two-year period, the Fund's assets have increased in value by nearly 24%.

Sir, in summary, the 2017 Accounts are undoubtedly a good news story reflecting a strong economy. The financial position is a considerable improvement on that budgeted: reserves have increased, we have a substantial sum available for appropriation, and steps have been taken to introduce IPSAS.

I believe that there is a lot to be proud of and positive about and we provide a wide range of services to our community, the overall standard of which undoubtedly compares favourably with developed jurisdictions around the world: all children between the ages of four and 18 have access to fully funded state education services; we provide comprehensive and universal access to acute specialist medical facilities; we have a full range of dedicated emergency services; we are just about to introduce a comprehensive income support scheme; we are making substantial provisions for capital expenditure; we have started to rebuild our core investment reserve – and I could go on and on. And despite our small size and the lack of economies of scale enjoyed by larger jurisdictions, we provide these services at a level of aggregate taxation which is substantially lower than the OECD average.

Sir, I am due to travel to Brussels in a few weeks' time in a joint trip with Jersey. Whenever I spend time there, I have an overwhelming desire to pick our entire 63,000 population up and drop them in the EU institutions for a day to really appreciate what 'big government' looks like, including of course marble atriums, VVIP entrances, chauffeurs and official photographers. Then you remember there is three of everything for the Commission, the Parliament and Council.

Sir, by comparison, it is worth noting that not only do we not have ministerial cars, but we share our Parliament with the Royal Court. I am the only Member of our Government who has a dedicated office, and I am not supported by a team of officials assigned to me but by a share of a single personal assistant. So whilst, like any organisation, it is possible to identify examples of inefficiency and areas of improvement – and we must continue to relentlessly chase these down through Public Service Reform and our ongoing transformation journey – I think we can proudly and justifiably celebrate the fact that on any objective measure our Government is fundamentally frugal.

Sir, I ask the Assembly to approve the 2017 Accounts.

The Bailiff: I call next the President of the States' Trading Supervisory Board, Deputy Parkinson.

Deputy Parkinson: Thank you, sir.

This is the first time that the accounts for the trading assets are addressed separately from the main States of Guernsey Accounts, and marks a milestone for the States' Trading Supervisory Board. As I outlined in my update to the Assembly in April this year, one of the first tasks for my Board when it was first formed in 2016 was to establish an overall vision for the new States' Trading Supervisory Board which is still a relatively new organisation within the States of Guernsey. That vision is that the trading assets would be a group of well-managed, efficient businesses that deliver a return, not necessarily financial, in the long-term best interest of Islanders.

The role of the State's Trading Supervisory Board is to provide direction and guidance and ensure an appropriate governance framework is in place. The challenge set to each individual trading asset is to reflect a commercial mindset throughout their operations, whilst acting in the Island's long term interest in the provision of vital services. What these accounts provide is a benchmark for the progress that each of the unincorporated trading assets has made, or is making towards achieving that vision.

During 2017, the States' Trading Supervisory Board implemented improved governance arrangements across all of the unincorporated trading assets. That included the formation of a politician sub-committee for each, which are accountable to the States' Trading Supervisory Board. They challenge established practices and assumptions, and support each business in developing clear strategic direction, business planning and operational delivery to support the Policy & Resource Plan, the Medium-Term Financial Plan and the public sector reform agenda.

The inclusion of non-voting advisers on each company board provides greater breadth of commercial and public service experience and has allowed the Board to develop its influence across its wide remit, whilst ensuring appropriate and robust governance. Details of delegated authorities, roles and responsibilities of these boards are clearly laid out in each set of accounts. The layout and content of the accounts have also been improved to provide the reader with clear understandable information. Guernsey Water, Guernsey Dairy and States' Works are, as in previous years, compliant with and audited against the FRS102 accounting standard. The Ports deviate, as in previous years, only in the absence of impairment of the Airport runway. Details of this may be found in the Ports Accounts.

Before looking at the individual accounts I would like to thank all of our staff, some 550 working across just these unincorporated trading assets, whose hard work and commitment every day brings to Islanders key essential services from water to milk, from sewage disposal, waste disposal, and from travel to critical event response. Not forgetting in excess of 800 staff working in the other areas of the wider remit of the States' Trading Supervisory Board that are not included in these Accounts.

Turning now to the individual accounts, starting with the Ports: Guernsey Airport's income for 2017 was adversely impacted by poor weather in the early part of the year, together with a marked decrease in passengers travelling to and from Southampton and Jersey. As a result, total passenger movements were down by nearly 30,000 over the year. More than a quarter of the Airport's revenue was attributable to non-aeronautical income, such as advertising, sales and concessions within the Terminal. The Board had set a target to increase this percentage to 33% in the short term which will reduce the reliance on generating income from airlines.

Income at the Harbours was ahead of 2016 by 4%, despite commercial income being down slightly. Leisure income from private boats performed well in 2017, and property rental receipts were also up on 2016. Costs for 2017 were below budget thanks to staff reorganisation, including shift changes and reviews of staffing levels in various Harbour departments. Passenger numbers through the Port were nearly 3% up across the UK, Jersey and French routes. Bulk cargo through the Port was down 4½%, that is 14,525 tonnes compared to the previous year. Overall, the Ports generated an operating surplus of £3.5 million resulting in a net surplus of £1.5 million in 2017. That is an improvement of £½ million on 2016 after adjusting for the one-off charge of £2.1 million legal fees arising from the unsuccessful PFOS challenge. As part of the financial target return set for the STSB in the Medium-Term Financial Plan, the Ports also returned £4 million to the Capital Reserve, which represents the funding received for the replacement cranes at St Peter Port Harbour.

Guernsey Water generated revenues in excess of £15 million which, as one might expect, is quite stable year on year. However, there was an 8% improvement in the operating surplus which was down to reduced costs. This resulted in a net surplus of £0.4 million in 2017. In the delivery of its infrastructure, Guernsey Water invested a further £4½ million chiefly as part of its water treatment strategy in upgrading the sewerage network in the north of the Island.

Beyond business as usual as directed in the 2017 Budget Report, Guernsey Water reimbursed the total cost of the Belle Greve outfall replacement by making a refund to the Capital Reserve of £18.6 million. This was funded from its own cash reserves of £9.6 million and a loan from the States of Guernsey Bond proceeds of £9 million. This heralded a significant balance sheet change for Guernsey Water as it takes on debt and moves from a save-to-spend culture to one where current user pays for current consumption costs. Looking forward, this revised strategy is helping to drive savings and efficiency targets that will ultimately benefit consumers.

There were no water use restrictions in 2017 and the quality of our water supply remains high. Investment in improving water quality such as refurbishment of the Juas Water Treatment Works will be completed before the end of 2018.

Overall revenue for the Dairy from both liquid milk and other products was up by 3.6%. This was in part due to an increase in the wholesale price of milk. However, it is important to also note improvements in efficiency were achieved through capital investment and processing changes, which resulted in a significant reduction in the volume of milk lost through the production process. This in turn meant an increase in the amount being turned into products by some 17,000 litres, despite a reduction in raw milk intake.

The wholesale and retail price of milk continues to be affected by the reduction in the funding provided from General Revenue for the Dairy Farm Management Payment. That reduction is spread over five years and each tranche has the effect of adding approximately 2.5p a litre to the wholesale price of milk. Despite this revenue performance, additional one-off maintenance expenditure incurred during the year resulting in an operating deficit of £100,000. This is a worsening on 2016 by approximately £115,000, after adjusting 2016 for the one-off £750,000 charge of *ex gratia* payments which was made to milk distributors. The final net deficit was £355,000 which also includes a one-off asset impairment loss.

During the year, the Dairy continued its journey of enhancing the capital infrastructure investing £180,000 in improving the facility and equipment. The Dairy has benefited from its strengthening relationships externally with the Guernsey Farmers' Association and internally with the STSB its board and other trading assets resources. This has allowed the development of a five-year business plan to underpin its operational improvement and longer term capital plan.

Of particular note in respect of States' Works, some 90% of its revenue is generated from other States of Guernsey Committees and functions. It therefore has to continually strive to remain competitive and achieve real savings for its largest customer, the States of Guernsey. This is inevitably reflected in a year-on-year drop in its revenue of 3½%. Despite this it achieved significant cost savings of 5% resulting in an operating surplus of £1.8 million. That is a 10% improvement on 2016. This impressive result has been achieved through smarter and leaner working practices rather than service cuts. States' Works with support and guidance from its new board has been developing a new long-term business plan which includes determining the optimum operating model for the future to maximise efficiencies.

Altogether the four businesses managed £60 million in revenue that generated an operating surplus in excess of £10 million. They invested £6.7 million in new assets and returned £22.6 million to the Capital Reserve.

The unincorporated trading assets now manage a total asset base with a net value of £395 million. They have all benefited from restructured governance arrangements and strategic thinking which has already produced tangible results, improving efficiencies as well as laying the foundation for ongoing improvement in the form of long-term business plans, all in the best long-term interests of Islanders.

I ask Members to support the approval of these Accounts.

The Bailiff: Next, the President of the Employment & Social Security Committee, Deputy Le Clerc.

Deputy Le Clerc: Thank you, sir.

The Bailiff: Oh sorry, Deputy Brouard would like to be relevé. Deputy Brouard.

Deputy Brouard: Thank you, sir.

Deputy Le Clerc: Sir, I welcome the opportunity to summarise the accounts for the three Contributory Funds for which the Committee *for* Employment & Social Security is responsible. These are the Guernsey Insurance Fund, the Guernsey Health Service Fund and the Long-Term Care Insurance Fund. At the end of December 2017, the combined reserves of the three Funds stood at £967 million, which was £56 million up on the previous year. This is a very satisfactory outcome but it comes about largely through 2017 being another good year for return on investments. The return was 8.4% gross of fees.

Investment income across the three Funds amounted to £72 million and more than covered the combined operating deficit of £15 million. The underlying deficit has long been known and planned for. The plan is to draw down on the reserves of the Funds to help us through the pension costs of the demography changes driven mostly by the progression in old age of the post-War baby boom generations. These drawdowns are a partial solution, not the full solution to future sustainability. Before taking investment income into account we have been in operating deficit for the last nine years. The deficits will continue and will become deeper. Without labouring the point, I do want Members to be aware that the underlying deficits will be more apparent in years when investment returns are nearer to normal expectations, and the underlying deficits would of course be amplified in years when we see a negative return in the financial markets. That said, with the assistance of our professional investment advisors we have continued to diversify the investment portfolio to maximise returns at what we believe to be the lowest level of risk across the portfolio for many years.

Now, turning to income from social security contributions: contribution rates were increased in 2017 as part of the Supported Living and Ageing Well Strategy, SLAWS, to improve at least for the medium term the sustainability of the Long-Term Care Insurance Fund. The rates were increased by ½% across all classes except employers. We continue to work on the States' Resolutions concerning the funding and coverage aspects of SLAWS and expect to report to the States towards the end of this year. There were also contribution increases of 0.1% for both employers and employees to fund improved parental benefits. Overall contribution income from employed people, employers, self-employed and non-employed increased by just under 8% in 2017 – most of this was from the increase in rates that I mentioned, 2% was from the economic factors by which I mean the number of contributors and wages growth. Our overall benefit expenditure across all contributory Funds increased by 2% to £198 million. I will speak very briefly on each of the three separate Funds.

The Guernsey Insurance Fund recorded an increase in reserves of £38 million, comprising an operating deficit of £20 million and an income from investments of £58 million. At the end of 2017 the total reserves for the Guernsey Insurance Fund stood at £769 million. This equals 5.4 times annual benefit expenditure. The multiple of the value of the Fund to annual expenditure is a metric that is used by our actuaries in their projections for the future sustainability of the Funds. In the case of the Guernsey Insurance Fund the plan is that we will draw down the Fund to no lower than two times the annual benefit expenditure. Pensions account for over 85% of the total benefit expenditure of the Insurance Fund and amounted to £118 million in 2017. At the end of the year, December 2017, there were close to 18,000 persons receiving a pension in Guernsey or overseas. It is worth noting that less than 30% of pensions are paid at the full rate.

Expenditure on incapacity benefit decreased by 1.3% to £8 million, which is encouraging. All social security schemes need to pay close attention to the number of long-term sick under pension age and to offer assistance with return to work for those who can. Our Job Centre is very active in this area and has had some great successes. Unemployment benefit decreased by 27% year on year to £1 million. This is a significant reduction and a very welcome economic indicator.

I now turn to the Guernsey Health Service Fund. The Fund recorded an increase in reserves of £6 million comprising an operating deficit of £3 million and an income from investments of £9 million. The reserves stood at £123 million. The cost of the Specialist Health Insurance Scheme was £20.5 million and this included £18 million to the Medical Specialists Group, £2.2 million to the Guernsey Therapy Group and £285,000 to the Alderney Island Medical Practice. The cost of drugs and medicines in the community plus medical appliances and home oxygen cost a total of £18.4 million. The cost to the Fund was reduced by people paying £2.2 million in prescription charges. The net cost of £16.2 million was a marginal reduction on the previous year, but that should be considered a positive financial outcome in the context of an ageing population requiring more medical treatment.

Lastly, a few words on the Long-Term Care Insurance Fund. This Fund recorded an increase in reserves of £12 million, comprising an operating surplus of £7 million and an income from investments of £5 million. The operating surplus resulted from the ½% increase of the contribution rate which I mentioned earlier. The reserve stood at £75 million.

Overall expenditure on care home benefits increased by 5% to £19.4 million; underlying this headline, residential care benefit increased by 14% to £9.8 million. This was driven by an increased provision of much-needed dementia care beds with the opening of Green Acres Care Home in February 2017.

Nursing care benefit expenditure decreased by 2.6% to £9.6 million; a factor in this was one of the care homes cancelling a nursing bed registration, and registering as residential care only towards the end of the year.

Sir, that completes my summary of the three accounts for which the Committee *for* Employment & Social Security is responsible. The actual Accounts contain a wealth of details on the financials but also on the contributor and claim volumes too. If Members have questions on what I have said, or on matters that I did not refer to but are in the Accounts, I shall do my best to respond towards the end of this debate.

Thank you.

The Bailiff: Deputy Trott do you wish to be relevé?

Deputy Trott: I would be obliged, sir, thank you.

The Bailiff: Deputy Green.

Deputy Green: Sir, thank you very much.

On behalf of the Scrutiny Management Committee, I will begin by discussing the presentation of these Accounts. Firstly it is, as Deputy St Pier was saying, fair to say that there has been a great improvement in the transparency and accessibility of these Accounts for 2017. The clarity has improved. Included this year are more notes to the Accounts for information that is very useful, and the Scrutiny Management Committee is pleased that our recommendations have been taken on board with this set of Accounts, particularly as regards movements in reserves statements, material post-balance sheet events, and on senior roles within the States identified with accompanying pay costs.

We are concerned, however, that there does appear to be rather less detail in the operating expenditure of the Funds sections: all Funds appear to have substantial operating expenditure with employees or FTEs attributed to them. We would also, sir, still like to see the actual policies for the reserves set out and explained within the Accounts in the future. Greater clarity of presentation on the movement of funds in the Accounts, particularly on the reserves, would be useful.

Sir, the IPSAS, or International Public Sector Accounting Standards, are now starting to be implemented and these changes are evident in these Accounts, somewhat in contrast with those prepared for 2016. These changes are set out at length in Note 2 to the Accounts. The Scrutiny Management Committee does give credit where it is due for the progress made towards the implementation of the IPSAS standard which, up until this point at least, has been somewhat slower than originally anticipated. However, as Deputy St Pier acknowledged in his speech, it is clear to us that a large amount of work still must be done to progress this project fully, and indeed I will be writing to the Policy & Resources Committee to outline our continued expectations in that regard.

Sir, turning to the substance of these Accounts for 2017, the overall surplus for 2017 was £113.9 million with an available surplus of £22.1 million. We have therefore recorded a second successive surplus, although how sustainable this actually is remains to be seen. But it is realistic to acknowledge that the public finances for 2017 make for good reading in the main. We now have £22 million available for our collective priorities and we now need to have an intelligent debate in how to apportion that.

Sir, the Scrutiny Management Committee did note that the transfers to the reserves are presented as something of a given in these Accounts, when in reality they are essentially discretionary on the part of Policy & Resources, and that might well be in line with policy and with prudent financial management. But the point is the choice on how to interpret the policy on the payments to reserves and the amount of those actual allocations has already been made for us by Policy & Resources, and not strictly speaking by this Assembly. So perhaps in future this Parliament should seek to actively assent to the decisions on the use of the overall surplus taken by P&R rather than see these matters as something of a *fait accompli*. There are legitimate arguments for both greater and lesser amounts being put into the reserves and therefore greater or lesser amounts available in the final residual surplus. So perhaps in future, separate Propositions could be considered for explicit sign-off on the final movements to those reserves at the appropriate stage.

Sir, it is encouraging that Income Tax receipts have increased from £302.7 million in 2016 to £324.1 million in 2017, an increase of 7.1%. The increase in Corporate Income Tax receipts by £11.6 million is also pleasing. It is noteworthy that a significant segment of that improvement represents an adjustment from 2016 and will not be sustained in the underlying tax base. There is also an issue about sustainability with regard to Document Duty: the £4.3 million increase in Document Duty receipts is also noteworthy, but £3.4 million of that was from only two exceptional transactions that may not be repeated.

So on the expenditure side, the percentage of the budget spent on pay costs has risen to 49.6% and indeed the number of full-time equivalent staff has gone up as well, an increase of 52 FTEs compared to 2016, and we are told that this increase is entirely within the Health & Social Care Committee, due to the repatriation of complex placements resulting in an increase in the number of health care assistants and support workers, and the full year impact of the Emergency Department being taken in-house. These are numbers that we will continue to keep a watchful eye over, and I will return to Health & Social Care in a moment.

Sir, elsewhere in the Accounts there are a number of matters of concern over the 2017 overspends. It is disappointing that three Principal Committees have recorded overspends in 2017. These were the Committee *for* Education, Sport & Culture, the Committee *for* Economic Development and the Committee *for* Home Affairs.

Of particular concern is the situation at Education, Sport & Culture where a substantial overspend of £2.1 million has been recorded. We are told that this was made up of a combination of a failure to meet savings targets and material overspends in certain areas, including salaries. Now, sir, in mitigation it is clear that this new Committee has inherited a number of financial concerns, but nevertheless it is important that they demonstrate a commitment to address these issues. We would certainly expect to see a plan from Education, Sport & Culture setting out how they might curb the material overspend in 2017 and it would be good to know indeed if progress has already been made in that regard. Indeed, sir, if Education, Sport & Culture do not believe that their existing budget is sufficient then they need to return to this Assembly and make their case – you never know, it may be treated in a sympathetic way. But they certainly cannot ignore these financial concerns due to the busy current agenda that they have. Ultimately they must either gain agreement to increase their budget or they must take real action to remain within it.

Sir, turning now to Economic Development, it appears that an issue over the management of a single issue has led to the effective overspend of £400,000 within that department. Clearly, the situation must be addressed effectively and I hope that the Committee, now under its new leadership of a former Treasury Minister, will help to resolve this matter quickly. The SMC will be carefully noting the progress made forwards on this, including the overall level of exposure on that particular issue in the future.

Sir, the overspend at the Committee *for* Home Affairs was rather more minor at £57,000 but we would hope not to see this repeated, given this Committee's need to make substantial transformational savings in the near future. Indeed we will be holding a public hearing hopefully with the Committee *for* Home Affairs in September when we will have the opportunity to have more discussion with Deputy Lowe and her colleagues on that.

Sir, in relation to the Health & Social Care consolidated Accounts we have noted the reduction in spending of £3 million on Children and Adult Mental Health Services and the £1 million reduction in spending on Community and Social Care Services. We understand that some complex patients that previously could not be cared for in Guernsey have been repatriated as they can now be treated here and a saving has occurred. However, the SMC would like to be assured that the reductions in spend as quoted here have not actually impacted upon the care of existing Islanders who already need to access these particular services.

Sir, we also note that the Committee *for* Health & Social Care was £2.6 million under budget and returned £2 million to Policy & Resources during the fiscal year 2017. Now, whilst we applaud the financial responsibility and the system grip that has been developed by the Committee *for* Health & Social Care, we would say that this is not necessarily a good thing, if there are particular difficulties or if there is a particular unmet need in some areas of the whole health and social care system overall as a whole. I would be grateful if Deputy Soulsby could seek to address those concerns when she speaks later on.

Sir, moving on to Aurigny, we note that Cabernet Limited, the holding company for Aurigny, has made a further loss of £5.197 million which was admittedly lower than the £6.8 million forecast in 2018. That is undoubtedly a step in the right direction but there is still some way to go for them to secure the breakeven point.

Sir, in respect of the Superannuation Fund, as Deputy St Pier was saying, we now know that the difference between the pension deficit under FRS102 and the deficit under the actuarial review, that is 58.2% versus 93.5% respectively. But the question I would have for Deputy St Pier would be do we know what the pension deficit will actually be under the IPSAS standard when that is produced? I would be grateful for an indication whether we know that – perhaps I can answer my own question if I had to, it is probably somewhere in between, but it would be good to get a formal statement from Deputy St Pier in terms of that issue when he sums up at the end. The whole question of the liabilities under the Superannuation Fund is an area of concern for the Scrutiny Management Committee and we will continue to monitor that issue as an issue of public concern.

Sir, staying with the question or the theme of pensions, we note that the Guernsey Post's employee pension scheme had a deficit of £28.45 million in 2016, but zero in 2017; whereas Guernsey Electricity's pension deficit increased by £14 million from £26 million to £40 million. If they have both been revalued under FRS102 the question would be, why is one result positive and the other negative? Or is it that those changes are actually due to something unrelated to FRS102? I would be grateful for some clarity on that.

Sir, that is all I propose to say on behalf of the Scrutiny Management Committee. In a nutshell the broad headlines for these Accounts suggests that there is much in our public finances that should give us cause to be optimistic. It is certainly not all doom and gloom and that should be recognised. But that said, the challenges do still confront us both internally and externally which need to be faced. So we give credit for the improvements in the clarity of the presentation of the accounts, and for the beginning of the implementation towards the IPSAS standard, but clearly but work there still needs to be achieved.

Thank you.

The Bailiff: Deputy de Lisle.

Deputy de Lisle: Thank you, sir.

There is still a hike in numbers employed, sir, acknowledged by the President; however, not fully. Full-time equivalent numbers were up 60 actually, if included capital projects as well, or 1.3% according to page 72 which details the analysis of pay costs and full-time equivalent totals. It also acknowledges a jump of 69 full-time equivalents by the Committee *for* Health & Social Care. All of this means that the labour cost is up £3.7 million, plus 1.7% if one refers to the tables on page 72.

Now, transformation should be accompanied surely by efficiency and a drive to reduce the numbers employed in the public service. In fact I thought that the States' policy was to reduce Civil Service numbers, not increase the numbers. I would like to know what the position is because other departments are looking at decreasing if they can the States' employment complement. I would like to hear from the President exactly what the situation is here, because I thought we were still looking at trying to save money wherever we could and also doing more, if you like, with less.

I turn from there, sir, to Social Security: the demographic shift to an older population which is highlighted in the report from Social Security. They talk about mitigating the financial impacts on benefit expenditure – a factor of the Committee's main activities – and they illustrate that by upping contribution rates which they have done by 0.5% for contributors, but not employers, which took place in January 2017; by increasing the pension age up to 70 by 2049; and looking at secondary pensions. Also they talk about this Resolution through SLAWS to investigate whether the Long-Term Insurance Care Fund should cover the costs of care and support only – funding for accommodation and living expenses should be separated and paid for by the individual.

Now, that gives concern, sir. This is along the UK lines where 400,000 elderly people live in care homes and almost 50% pay for themselves by running down savings or selling family homes. Is this the direction that we are going in in Guernsey in order to give comfort to the demographic shift to an older population? I am very concerned as to the direction that the Social Security are taking there, and this actually is reported on page 209 with respect to these mitigating initiatives that the department is ongoing with.

Sir, turning then to the fact that a budget surplus has been produced in 2017 and the various choices that it gives in fact for the 2019 Budget that is in process at the current time, to either increase personal allowances, top-up the long-term reserve – the rainy day fund – or upping spending on economic development, or transformation of public services; or in fact investing in infrastructure. And it is a matter of the direction that we take on this.

This was brought up at the St Saviour's Douzaine last evening and they just feel that we have not got to the point yet where we can say that we have a long-term surplus going forward, and therefore they would be cautious in terms of even increasing personal tax allowances and spending the money there rather than putting it all perhaps in the rainy day fund in order to bring that back up to 100% of general revenue income from where it stands at 39% currently.

My feeling is that we should actually take the opportunity at the current time to take less from the economy and ease the burden on the individual, particularly perhaps in terms of increasing personal tax allowances and also doing something about this mortgage that we find ourselves to Government with respect to our properties. The continual escalation of TRP, I think we should be looking at some modification there otherwise we are going to find ourselves in the situation that other countries, Canada and now even the UK, are finding themselves getting into whereby, once a person retires, basically they have to sell their homes because of the tax burden on the property that they have worked very hard for over the course of their lives. So what we are doing actually is escalating this way – what is it, 7% every year? As a result we are putting a noose around every family that has a home in this Island. What I do not like is the fact that Social Security then is actually studying as to how we can relieve the States of some of the burden, and see to it that in fact the cost of accommodation and living expenses should be separated out from the costs of care and support.

So I think, sir, we should be looking very carefully at that, and if there are a few pounds over please can we also look at very carefully stopping this continual escalation of this mortgage to government? It is a second mortgage – you pay off your first mortgage and you are mortgage-free– but you are not, you have still got this mortgage to government for the rest of your life. It is a State mortgage and it is something that we can well do without, sir.

The Bailiff: Deputy Graham.

Deputy Graham: Thank you, sir.

I have, sir, an interest in the Capital Reserve which is not totally unconnected to my position as Vice-President of the Committee *for* Education, Sport & Culture. Looking at last year and of course this is what we are doing, the good news really was that the Capital Reserve stood at £240 million which was a gain of £80 million on the previous year; but one has to be honest and say that was partly or largely due to the fact that we spent a miserly £8.6 million I think on capital projects, which I think we will all agree is not a healthy way ahead.

But although we are looking back on 2017 now, the connect with 2018 is very clearly there, particularly on the capital side and much has happened since then, not least in April the States in its wisdom decided to raid the Capital Reserve to the tune of £32 million in order – a laudable aim – to spread the costs of the implementation of the Waste Strategy.

So I would be grateful really if in responding to the debate the President of Policy & Resources could really indicate where the Capital Reserve now stands. Is it just a case of £240 million minus £32 million? It is probably not. Also really how that stacks up against the Capital Investment Programme for this year and next year.

Thank you.

The Bailiff: Deputy Laurie Queripel.

Deputy Laurie Queripel: Thank you, sir.

Sir, a few points of my own and a mixture of some observations that have been raised by a number of Islanders taxpayers. I think they have a right to have their concerns and queries voiced, and I think Deputy St Pier will be aware of most of these questions because he probably would have caught sight of some of the emails that have been circulated.

Starting with the investments, and more particularly the Superannuation Fund: the table on page 13 of the report tells us that in total financial investments amount to approximately £2.2 billion, but page 18 tells us that included in that is £1.4 billion or around about that figure belonging to the Superannuation Fund – the Pension Fund for States' employees. So that cannot really be classed as a States' asset because it does not arise from past events of the States of

Guernsey. Nor are economic benefits expected to flow to the States of Guernsey or the people of Guernsey – all the economic benefits belong to the Pension Fund. So will that distinction, as it should be, be made more clear in future accounts hopefully next year, when next year's accounts are presented and published, because as things stand at the moment is that not something of a misstatement that the auditors should have picked up on or should be reporting on? So I just wonder if Deputy St Pier will tell us if that distinction will be more clearly recognised perhaps in the future and hopefully in next year's figures, next year's accounts.

Moving on to Aurigny, sir, this is a bit like groundhog day for me because I still cannot quite get my head around what is happening. There seems to be a version of pass the parcel taking place, where we move from one jam jar to another but when the music stops the result always seems to be the same. There is a shortfall, a tab to pick up; one way or another it is the taxpayer who pays the bill. By way of example, sir, even though Aurigny run at an operating loss and have been recapitalised from the public purse, the Capital Reserve, on more than one occasion, they still apparently service a loan from the Bond.

Now, sir, the capital and interest payments are apparently paid by Aurigny but Aurigny's revenues are not sufficient to enable them to do that. So there is a sort of circular motion taking place here, and I am not sure it can be described as a virtuous circle. Money from the recapitalisation the Capital Reserve must be being used to service the Bond loan. Surely this should be noted and somehow reflected, perhaps even in the notes in regard to the Bond Reserve details and figures? I know Deputy St Pier has spoken about the possibility of Aurigny's loans being subject to impairment, but there has to be recognition, a proper note of what is really going on, what is really taking place.

Sir, I was a self-employed trader for many years and I do not profess to have any particular accounting or auditing expertise, but a basic understanding of profit and loss tells me that Aurigny do not make a profit. Therefore in effect the Capital Reserve is being used to pay back a Bond loan. That should be noted and picked up somewhere. It should be reflected somehow more clearly in the notes in these Accounts.

I know it is P&R that are doing the work in conjunction with some other committees, but I am very pleased that we are having a review of our transport links. But that really does need to be progressed quite quickly, because a way needs to be found very quickly to address the issues that Aurigny are facing financially and otherwise.

I am also pleased to see the details that we see on page 11 where the job descriptions and pay of our top civil servants are tabled. Actually in Jersey they still do it better than us, they have actually got a much longer list of job descriptions and pay in their accounts. But I am looking at this because Deputy St Pier spoke, again just briefly, about the possibility of perhaps outsourcing some services in the future. But when you look at that table on page 11 – now, these are clearly very able people and they do very important work – when you look at that table and you look at the part that says Pension Contribution, that is the contribution that goes towards the Superannuation Fund to cover the pension of States' employees and in that column you see figures like £21,154, £18,289 and so on. Those sorts of figures equate to the salaries of some States' employees, typically those on the front line who deliver services, who clean, who provide care, who do the dirty jobs.

When you look at that and when you think of it in that sense we get very good value from many of those who carry out hands-on, productive work on behalf of the States and provide services to our community. (**Several Members:** Hear, hear.) So I would caution again in regard to thoughts of outsourcing services. Many of these people that work on the front line are not on mega salaries, they are not on these sorts of salaries. Quite a few of them, sir, actually qualify for an Income Support top up from Social Security from Supplementary Benefit, so I think we are already getting good value from the people that work at the sharp end that provide services to our community, and we need to be very careful about talk of outsourcing services, or too many services, and outsourcing jobs.

Actually I think in a way if we did too much of that it would actually go against the social policy objectives of the Policy & Resource Plan, because people that work for the States are members of our community too and we are not going to improve their quality of life or give them greater opportunities if we outsource their jobs or lower the value of their jobs. So I think that needs to be given very careful thought as well.

I just wanted to mention the population regime in the context of the contents of page 9 in this document where it gives some details with regard to the Income Tax receipts. Sir, we know the main purpose of the population regime, the strap line as it were, is to manage the size and make-up of the population, and I think the make-up of it needs to be stressed as well as the size of it. Now, the figures, sir, in 6.1 on page 9 show us that to some extent the population regime, the policy, is proving to be effective because it tells us that there were 1,607 more people working in March 2017 than in March 2015 – so that is a good news story, that more of our population is economically active and productive.

I know, sir, that some members of our community, and some of the organisations in our community, and some members of this Assembly actually would like us to rather quickly bring about changes to the regime to more greatly liberalise it. So that may prove to be necessary, but I do not think that time is now, particularly with Brexit looming on the horizon. I was interested yesterday in the comment, sir, from the Chamber of Commerce in Jersey who many people within our community like to point to in regard to the way we should be doing things in their opinion; but the Chamber of Commerce in Jersey, sir, have said that the population policy in Jersey should not be review or amended until the Brexit dust has settled. So I think we need to be cautious too in regard to how we approach the population regime and the population policy, sir if we are … As I say, I think the regime is already to some extent working because the numbers of people working has gone up. I know we are facing demographic challenges in the future, but whatever we do we need to think very carefully, and whatever we do needs to be subject to a very comprehensive cost benefit analysis to ensure that the cost of the increase in the population is outweighed by the benefits of doing so.

Just in regard to IPSAS, sir, I know that Deputy Green has referred to it and Deputy St Pier too has said we are moving towards that, but I just wonder in closing, if Deputy St Pier could actually give us some idea of when – we are on that journey, I appreciate that – but when we might be to the point when we would fully comply with IPSAS. Would it be in three or four years' time, or five years' time or 10 years' time? Just some indication of that would be very helpful.

Thank you, sir.

The Bailiff: Deputy Lester Queripel.

Deputy Lester Queripel: Thank you, sir.

I think I am right in saying that when Deputy le Clerc spoke she said that only around 30% of the pensioners in the Bailiwick receive a full pension. I stand to be corrected on that, but that aside I also think I am right in saying that any pensioner who struggles to survive on less than a full pension could apply for supplementary benefit, which of course will soon become Income Support, and under that new scheme there will be an allowance known as an Extra Needs Allowance. But having worked with dozens of pensioners over the last six years, I know that many of them are extremely proud people and they will not apply for any additional help.

Before I continue sir, I just want to emphasise that I have nothing but the utmost respect for the staff at Social Security, they have never once failed to respond to my requests for help on behalf of pensioners over the years. But I am in need of clarification from Deputy Le Clerc please when she responds, in relation to the barrier that some of our pensioners put around themselves, because they feel uncomfortable in asking Social Security for additional help. My understanding is that it is up to the pensioner themselves to ask for help because it is only in them asking for help that the office know when a pensioner is struggling to survive. But I am wondering if the office has ever contacted every pensioner who receives a reduced pension to let them know that additional financial assistance is available, and also encourage them to apply for it.

Now I appreciate, sir, that with almost 18,000 pensioners receiving pensions, that piece of work would be a major undertaking, but I would like some clarification on that point please. I ask that because I think I am right in saying that only just over 700 pensioners receive supplementary benefit at present, yet presumably a lot more than that will be struggling to survive financially – but there is a real danger that they are simply too proud to ask for help. Sir, the question is: do Social Security reach out to those pensioners and encourage them to apply for assistance?

In closing, sir, due to the fact that data controllers do not have any rights, I am not going to take on any more one-to-one cases, so I sincerely hope that Deputy Le Clerc can give me some assurance regarding her department reaching out to pensioners who are struggling to survive financially.

Thank you, sir.

The Bailiff: Yes, Deputy Inder.

Deputy Inder: Sir, of course I thank Deputy St Pier for his update, there are lots of positives in there, but the cloud warnings are quite obviously on the horizon in the future.

I am just going to pick up on one point: it is probably the last time I am ever going to speak about the previous Committee that I sat on, but I cannot let this go uncommented on. The States' Treasurer's report looks like it is factually incorrect and I refer you to page 8, 5.8 and it is bullet point two, and it states:

> The Committee *for* Education, Sport & Culture overspent by £2.1m which is a combination of failure to meet savings targets and material overspends in certain areas, including salaries;

Now, there is nothing that can be further from the truth. The previous Committee was *given* by Policy & Resources something called a 'business partner', whose job was to manage the forecasting for the Committee's budget. So for the purposes of, I suppose, people listening out there, what each Committee does, it does not actually sit on its own budget looking at it on a daily basis, the business partner for us anyway, at the time, was handed to us by effectively the Treasury Department.

Now, and I am only going to repeat this once – you have heard me say it before a couple of times – but I remember sometime in March, and I might not have this wholly accurately, but at Meeting 1 that we had with the Policy & Resources, or States' Treasurer, and business partner was that the Committee would be within Budget. I think that was in March of around 2017. A couple of months later, Meeting 2 from the business partner, from the States Treasurer and her staff, the Committee would be £500,000 over Budget. At that time, there was a bit of running round, we were looking at possibly holidays on grant, holidays seeing if we could save some money somewhere and that process. Two weeks' later at Meeting 3, the same member of staff, the same forecast, the Committee was £2.1 million over budget.

So it is not fair, or right, or correct to say within the States' Treasurer's report that the failing of the previous Committee was a combination of not meeting 'savings targets and material overspends in certain areas including salaries'. The Committee just did not know. It had no idea at all. If there was a failing at all, then it was solely down to the advice and the forecasting supplied by the Committee by Treasury staff.

Now it is not correct, and it is not fair; and I do not think it is particularly responsible for the Treasury Report to paint such an inaccurate picture in its commentary. And when Deputy St Pier closes debate I would like him to, if not to accept the responsibility for the job, at least tacitly accept that there were mistakes made by the staff in the forecasting for the Committee.

Oops, sorry, my glasses are broken.

Through you, sir, there seems to be a discrepancy as well between the £2.1 million overspend in the Accounts and Education, Sport & Culture's – I can't see, can I use those? Sorry about that, bloody cheap glasses, can't afford them, too poor – oh, that is much better, thank you Deputy Laurie Queripel. Do they look alright? *(Laughter)* Thank you.

A Member: Should have gone to Specsavers!

Deputy Inder: So I think there is a bit of a discrepancy as well, between the £2.1 million overspend in accounts for ESC and recent statements in this Assembly actually and to media by Deputy Fallaize. Every time he stands up he talks about the budget overspends of the previous Committee, but they start at £3 million, and I think I have heard him say it was £3.2 million, or £3.8 million? Okay, I will give that as £3.8 million, and it has now gone up to £4 million.

So what is the difference between the £2.1 million, which I take as fact, and Deputy Fallaize's assertion that the previous Committee has overspent to the tune of £4 million? Now you have said that – through you, sir, Deputy Fallaize has said that on the media in the most recent interview.

And I will give way.

Deputy Fallaize: I thank Deputy Inder.

May I clarify? I think, well I know, that the States' Treasurer's report relates to the year 2017 and advises that the Committee's overspend in that year was £2.1 million. The figure of £3.8 million I have referred to is the anticipated overspend for 2018 which the present Committee inherited from the previous Committee.

Deputy Inder: I am not entirely sure how that … Because if I remember correctly, if we were overspent at £2.1 million on December 31st 2017 I do not remember us agreeing £1.9 million between the time of what was effectively three weeks. So I would like some clarification on that. I suspect the cheque book has been open somewhat, through you, to the Committee. So when Deputy St Pier sums up –

Deputy Fallaize: Point of correction, sir.

The Bailiff: Deputy Fallaize.

Deputy Fallaize: What Deputy Inder has just said is completely incorrect. I do not know why the anticipated overspend of the previous Committee was £3.8 million in 2018. What I know is that when the new Committee was elected it was advised that the anticipated overspend was £3.8 million. Although I think if he goes back to the 2018 Budget Report, that figure is not far off the figure which his Committee was advising the States about at the end of 2017.

But this has nothing to do with the present Committee's expenditure. In fact the trend of expenditure is downwards from the anticipated overspend that was inherited, but that was the figure provided to the new Committee in relation to 2018's expenditure at the point it was elected. But it does not have anything to do with the 2017 Accounts, which we are meant to be debating where the actual overspend was £2.1 million.

Deputy Inder: For the purpose of peace and harmony I may have to marginally accept some of that, but I certainly do not remember it. *(Laughter)* I do not actually, I am not fibbing a bit, sir, through you, I do not accept it at all. But maybe Deputies Andrea Dudley-Owen or possibly Deputy Meerveld – or I was going to say, but Deputy Le Pelley is not here – they could confirm whether they have any memory of that. But anyway, that is where we are.

Finally sir, I just want to refer to – I think it was Deputy Green's speech – he spoke about Education's budget, but if I remember correctly …

Again, I would like to hear from Deputy St Pier – and I am referring back to the Billet d'État of Tuesday 7th November and it is the States of Guernsey the Annual Budget, and if I looked at Proposition 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 …

Where are those two reports?
Thank you, sir.

The Bailiff: Deputy Ferbrache first, then Deputy Fallaize.

Deputy Ferbrache: Thank you, sir.

Well, of course, in a previous debate Deputy Fallaize did acknowledge my seniority in some regards so I am grateful for you … *(Laughter)* And of course wasn't it nice to see, albeit via Deputy Laurie Queripel's glasses, that Deputy Inder was able to shine some light on some points in the debate.

But I think we are losing track a bit, because the sole purpose of this meeting today is to approve and note some accounts. That is all we are. The Budget debate is later on and we will be able to debate points about whether this should be put forward, or that should be put forward. Most jurisdictions and territories of the world would look at the accounts for 2017 and say, 'Absolutely fantastic! Wonderful!' Almost Deputy Trottism, 'Let joy abound in relation to those accounts'; and figuratively, because I do not want to cause any environmental health officer to come round, 'Let's shine a beacon of light and happiness from the hilltops on these accounts; let's even light a bonfire on the cliffs if we are allowed to'. *(Laughter)*

I am surprised and I am pleasantly surprised when I saw the detail, it was published before and it has been highlighted by Deputy St Pier today, that we have actually got an increase, a significant increase – and a small increase in real terms, but nevertheless a significant increase in actual terms – on income tax receipts for individuals for last year than was anticipated. And a pretty significant increase on corporate taxes.

I know there are reasons for it, I know they are one-offs and I know there are problems; and I know there is an argument about whether there are overspends at the Education and whose fault that is. That is for another day and that is not really relevant to today. Also, we can look at other things and say, 'This is wrong', and 'That is wrong'.

Now, what Deputy St Pier has highlighted is that there are some one-offs in these accounts that will not be reported in 2018, and a point made by Deputy Le Clerc and highlighted by Deputy Lester Queripel is the demographics. I am sure it is absolutely accurate, I fully accept that, but only 30% of pensioners get a full pension which means 70% do not. Now, I hope that statistic will improve over the years because those are generally the older pensioners I would believe that have not contributed, in the sense they have not had that opportunity for whatever reason, or they have not worked here the requisite number of years. But that these accounts tell us is that we are in a pretty good position – we are in a pretty good position and we did well last year. I do not mean we, the States of Guernsey; I do not think we did well. But I think the public of Guernsey and Guernsey society did well last year.

I actually think, and I was convinced – I was talking to somebody yesterday – that post-Brexit, and once, to use a phrase used by Deputy Laurie Queripel, 'the dust has settled' in connection with Brexit, I think some of the financial institutions that are placing their new funds in Luxembourg etc. now will come back to the Channel Islands. I think that will happen because we are seen as jurisdictions of quality of integrity that are well populated by people of ability. We respect law and order and we need perhaps to balance out a bit of our regulation, because we do not always have to win the gold medal every time in relation to regulation. We have got to impose regulation, we have got to have it, because that is the way the world is, but there is no beauty in regulation, it just should be something that is functional rather than an art form in itself. So I think that will come back, that might be two years, that might be three years.

I think it is not for me to make a political speech about Europe but the wheels will eventually come off in relation to Europe, it is unsustainable. Whether those wheels come off in two years or 10 years I do not know, and – there are, I think, wiser people than me – people far wiser that me do not know. But they will come off, the social experiment that is Europe will fail – and I am not saying that as an 'Exiter' because I would have voted to stay in the European Union if I had been a voter in the UK. But we have made that decision, the British people have made that decision, I should say, and we have got to follow it through. Once Britain goes, which is I think the second biggest contributor to the EU … and the Germans cannot keep writing cheques for ever and ever there will be a limit to what they can do; the Italians are in chaos; the Spanish are in chaos; well, Greece is Greece … So therefore we will be in a position that, that will collapse and again that will bring more business back to here.

So even though there will be dark clouds, even though there are problems and even though I will no doubt have considerable arguments with Deputy St Pier at Budget time in relation to how we should proceed, let's approve and note these Accounts with the vigour and the optimism that we should.

Two Members: Hear, hear.

The Bailiff: Deputy Fallaize, do you still wish to speak or are you still preparing a speech?

Deputy Fallaize: I was listening intently, sir, to Deputy Ferbrache's wise words.

Right. The position in relation to the last point that Deputy Inder made about where is the information that was required by June is that the States, subsequent to that Resolution that was made in November of last year, have made a Resolution which requires the Committee – I think Home Affairs as well, but I am not 100% sure, but certainly requires the Committee *for* Education, Sport & Culture – to set out its planned financial savings in time for those to be included in the Budget Report for 2019. That is a States' Resolution that was made when the States debated the most recent version of the Policy & Resource Plan. So I think that that is an answer to that point or question.

Deputy Green is right, clearly a plan needs to be established and will be in accordance with the Resolution the States made on the Policy & Resource Plan. Although there is no great mystery as to how these efficiency savings will be generated, I can tell him and the States now, as I have in the past, that they will be made primarily through restructuring secondary and post-16 education; integrating the College of FE, GTE University Centre and the Institute for Health & Social Care Studies; restructuring the Education Office; and reducing the grants to the grant-aided colleges. Those expenditure savings will close the deficit in annual expenditure which the Committee inherited and they will form the lion's share of the plan for efficiency savings which will be submitted by the Committee in time for inclusion in the Budget Report.

In terms of the Capital Reserve and Deputy St Pier's identification of the need for expenditure to be accelerated, it would be difficult to decelerate it, given that I cannot remember whether the States' Resolution relates to expenditure, capital expenditure, or capital appropriations. *(Interjection)* I think it is expenditure, and we are so many tens of millions of pounds short of the objective. Now this is not a limit, this is actually an objective recognising that if that figure is not met then there is likely to be decay, if that is the right word, in the Island's capital infrastructure and it is likely to have a negative effect on the economy as well. We are tens of millions of pounds short.

So I think that Deputy St Pier is right when he identifies there is a need to accelerate capital expenditure. Well, it just so happens that my Committee has a series of capital projects and we would be only too pleased to work with the Policy & Resources Committee to find ways of accelerating those projects. They are the substantial extension of two secondary schools for the future provision of 11-18 education and the long-overdue redevelopment of the College of Further Education, preferably on one site and ultimately operating in conjunction with the GTE University Centre and the Institute for Health & Social Care Studies.

Now, in fact the allocation of funds to enable these projects to go ahead is unlikely to be the biggest challenge: the biggest challenge is having the staff resources available to draw up the scope of the projects in the first place. As I say, my Committee would be very pleased to work with the Policy & Resources Committee to expedite those projects. I do not know whether they could all happen simultaneously; perhaps they could. There are not a lot of other very substantial projects in the pipeline for the same sort of period when it would be possible with the right staff resources to get these three capital projects up and running; but anything we can do to accelerate the programme of works we will do. So if Deputy St Pier is looking for willing Committees to offer up capital projects, I volunteer the Committee *for* Education, Sport & Culture at the front of the queue please.

I do not think there is anything else to add because I take Deputy Ferbrache's point that we are meant to be debating the 2017 Accounts.

I cannot really add any light on the points that Deputy Inder has made in relation to 2017 and the previous Committee. I can explain what is happening in 2018, and I have done in the sense that the anticipated overspend for this year was entirely inherited and has not been contributed to by anything the Committee has done since it was elected to office.

There is a States' Resolution in place which allows the Policy & Resources Committee to provide an uplift in the Committee's 2018 budget equivalent to the efficiency savings identified for future years, and clearly that is how the whole thing is going to have to be operated, because the Committee is not going to make upwards of £3½ million of savings and deliver them by the end of this calendar year. But the efficiency savings to get a balance budget will be identified this year and delivered in the years ahead.

So that is the position for 2018. I cannot account for what happened in 2017, there is obviously a dispute between the words in the Accounts and Deputy Inder's perception as a Member of the previous Committee. I will have to leave them to fight it out among themselves.

Thank you, sir.

The Bailiff: Deputy Meerveld.

Deputy Meerveld: Thank you, sir.

I would like to support the comments made by Deputy Inder. The P&R business partner allocated to Education, Sport & Culture when I was on that Committee, I think misled the Committee for up to six months on the amount of savings that we were being provided and we have the minutes to prove that. It was only after a change of staff that we were informed we were in fact heading for a significantly larger loss than was originally intended or advised.

I would like to also address one of the comments from Deputy Fallaize. He talks about the savings incorporating the reduction in grants provided to the colleges, when of course that is not actually part of the ESC budget and cannot be included. It is a direct payment from the States, and the States has made its own decision to reduce that amount of money and therefore cannot be included.

Deputy Fallaize: Point of correction.

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Sir, that is incorrect. The budget in relation to the grant-aided colleges is part of the Committee's budget. It is included in the cash limit which the States are invited to approve each year, and so I am afraid what Deputy Meerveld has just said is factually inaccurate.

Deputy Meerveld: Sorry, sir, that is correct, it is included in the Budget; but it is not within the control of the Committee to allocate that money, that is done by the States, and was done by Resolution previously last year.

I would also like to ask Deputy St Pier through you, sir, to address an anomaly in that when the previous Committee was in place, Deputy St Pier on numerous occasions said that he was not happy with the fact that ESC in reputed committees and terms had constantly been deferring savings indicating that future structural change would bring savings about, and insisted that it was a responsibility of the then Committee to deliver the savings immediately in that term. In fact P&R put the Committee under special measures and ESC was instructed I believe to return with a paper to this Assembly saying how they were going to achieve those savings this year. In fact I believe they were meant to deliver that paper in June, in compliance with those special measures and working group. I would like to know from Deputy St Pier how P&R is intending to ensure that ESC, the new Committee, meets its obligations to achieve those savings.

As far as the budget for this year is concerned, I would also like to know from Deputy St Pier, sir, through you, what exactly is the anticipated expenditure for ESC and what will that be compared to the expenditure last year? Whilst Deputy Fallaize has mentioned that he has inherited a loss, no – or an overspend – the overspend was there, he is under obligation, his Committee is under an obligation, as were we, to reduce that. I do not believe that we have increased an extra £1.9 million in expenditure to take it from £2.1 million overspend in these accounts, to a total of £4 million in the three weeks that the Committee served of this year.

Thank you, sir.

The Bailiff: Deputy Gollop.

Can I just remind Members we are debating the States of Guernsey Accounts for 2017.

Deputy Gollop.

Deputy Gollop: Thank you, sir.

I know I have a reputation for being a big spender but I do not think even I spent £2 million in the four weeks I was a Member of Education, Sport & Culture Committee. As a matter of fact though, I think perhaps some of the viewpoints we have heard from past ESC members relating to discussion of these accounts really, is partly because Deputy Fallaize gave a very interesting interview in the media recently in which he, the Committee, generously decided to increase their support for sports for young people – a gymnasium – which was a good move perhaps, but it was one that I remember our Committee did not go down precisely because we were worried about the budgetary implications. I believe a quote along the lines was, 'We are £4 million over, so you cannot make small savings so why don't we spend some more money?' Which was interesting.

Deputy St Pier in his opening speech certainly spoke about the merits or otherwise of big government in Brussels, and there I am quite attracted to those offices and the marble pillars and the huge cars and everything else. But I think too we cannot get away from the fact that although on one level we are quite a sparse Government with relatively light public expenditure compared to some places, we do suffer from diseconomies of scale and every time we form a new commission or a statutory official that person invariably has a salary not uncompetitive with their counterparts in the UK, or nations much larger.

I will just give you a slightly mischievous example because within these Accounts we have published, quite commendably really, the amount of money each States' Member since 2016 has been paid. Now, I am one of only two Members along with the then Chief Minister and now our External Affairs supremo, Deputy Le Tocq, who actually took what amounts to a pay drop in real terms if you do the maths on the figures between the old States and this States of those Members who continued into the new Assembly. But I will choose an example: Exeter is a city that planes from Guernsey regularly service, it has a population within the city boundaries of around 100,000 people, it currently elects one MP, once upon a time a safe Conservative seat, now apparently a safe Labour seat. The MP's salary is £77,000. Representing St Peter Port in this Assembly before one even gets to presidential uplifts, costs in excess of £400,000 for a town less than one-fifth of the population of Exeter. So it is swings and roundabouts, I would say, because sometimes scale goes both ways.

When it came to budgetary increases this year, I noticed that obviously the point was made at the Douzaine last night and in the States today that Health & Social Care were predominantly responsible for the uplift in pay, but there was a small increase of costs I noticed for the DPA, and various other Committees, Home Affairs; but one of the bigger increases, funnily enough, was Policy & Resources itself, which effectively went up 5% from a figure around about £20 million to a figure round about £21 million. So that was quite intriguing.

I would also point out that Deputy Green has said we needed an 'intelligent debate' – well, hopefully we will get an intelligent debate, and not an unintelligent debate, about the amounts we actually need to spend of public money.

Certainly I was intrigued within the documents to see that the comparison between previous years is becoming harder, because although there is commendable openness in some areas such as pay, there is not the direct comparisons that you could make with the classic Blue Book Accounts all those years with one Committee compared against another, and indeed if Members spend any time in the Members' Room or the Priaulx Library or whatever and read through those old books, you will see them virtually identifying how much it costs for a day out or it costs for paper clips. They were very detailed accounts and we lack that, so it is very hard to really get into the body of this. It is a much more perhaps big picture, one organisation, now. That has its disadvantages as well as its advantages.

I certainly commend what Deputy Le Clerc said about the Social Security Funds although she said if any Members had any questions she would happy to answer. Well, I have loads and loads of questions but I think I had probably better wait for another day on that front. But certainly I think it is interesting that she certainly is one of the more cost-effective Presidents who very much keeps a strong eye on turning the lights out at night kind of thing. Buried within the report is the pharmaceutical section and it is interesting that we have actually seen a slight drop in expenses on pharmaceuticals for the services we offer. Now, there is this loose talk about never-ending medical inflation and a sort of juggernaut that cannot be contained; actually, with very careful political officer management, we have seen a reduction in pharmaceuticals and in some areas over the last decade there has been a very significant reduction. I think perhaps the reduction started when Deputy Lowe was Minister because I think it was just before her era that we had peak expenditure for obesity drugs, for example. So, these are interesting points.

One area that nobody has mentioned so far, and I will probably be shot down – not in an Aurigny or a Wave plane or whatever – but to mention Alderney, because when I started in the Assembly all those years ago I remember asking some questions of the then Advisory & Finance and later Treasury & Resources, I think it was Deputy Parkinson that was in the Chancellor's Chair at the time actually. I wanted to know what the profit or loss of Alderney was, and the view was you could not possibly be told that because it went against the Resolutions, virtually against the law, and so on. Now we are actually seeing a different picture, a transformation of the approach and on page 75, Appendix 6, one can see an estimation of the income and expenditure in Alderney and it reveals a picture, as far as the Accounts go, and hoping that they are entirely factual, of between £6 million and £7 million deficit – much smaller amount than Social Security.

Now, in a way I think that is quite harsh on Alderney to put it across like that because if one dealt with a particular demographic of Guernsey, perhaps a certain age group, or particular parish, or a particular area of a parish, we might come to similar conclusions. But clearly there were many people in Alderney who would argue that Alderney is a net contributor to Guernsey funds and sometimes in its history, with Lloyds' names and the development of e-gambling and elements of the finance industry, it probably has been. So I think we should not take the view that we cannot support the northern Island because clearly that deficit, although it is a deficit, is much less than, for example, what we contribute to, say, the older generation on Guernsey who need health care. So we should very much have equality on that front.

I would also point out that it would help if we had clearer accounting generally on expenses across the States and whether there are marked variations between departments – for example, are some departments more cost effective with stationery or energy than others? I think that would be very helpful.

The Bailiff: Deputy Dorey.

Deputy Dorey: Thank you, Mr Bailiff.

I would just like to follow on from the last comment about Alderney and I welcome the transparency of showing the deficit on Alderney of £6.8 million and also on Social Security of just under £800,000. I think it does highlight the work going forward that we need to do, to reduce that. I do accept that includes £3.3 million of Aurigny's loss on the Alderney routes, but it does mean that we do need to focus on that and that transparency will help us to focus on that. (**A Member:** Hear, hear.)

I welcome this Billet and including all the unincorporated business, but I think it would benefit in future if we also included – and I accept that their year ends are different and they do provide accounts – but we had one document which also included the incorporated businesses, i.e. Guernsey Electricity, Guernsey Post and Cabernet. I know they issue their own accounts which are larger documents and perhaps cannot be included, but at least a summary of those included in this I think would give us a fuller view of what is happening; and just because they are incorporated, and not unincorporated, does not necessarily mean that they should be included or not included in this document, which seems to be the acid test of whether they are included or not. So I would welcome them to be included in the future.

I also welcome that the trading assets, the unincorporated, are moving towards more of a normal business-type governance by having political sub-committees – I think in brackets they have called them 'company boards'. I think the membership could be taken a stage further, I notice that they tend to have members of the States' Trading Supervisory Board, the senior managers from that particular business, and perhaps one other senior manager from one of the other public sector businesses which are either incorporated or unincorporated as part of States' Trading Supervisory Board. I think they would benefit from having more people from the private sector involved in those boards. I think that is the way forward. We include people from the private sector in the boards of the incorporated businesses so I think we should try and include that model in the trading assets which are included in here.

I wish to comment on States' Works. The surplus for the year is shown on page 191 of £956,000. States' Works basically does work almost, not quite totally, but as I understand almost totally for other States' departments, committees. I just feel uncomfortable that they have an ethos of making a surplus to that extent. I notice that in 2016 they gave £500,000 back into General Revenue, but in fact we give budgets to Committees which they then spend with States' Works which then makes a profit and part of that profit then comes back into General Revenue. I just do not think that is the right way forward. I think they should be set up on the basis of reaching a break-even situation rather than making a profit. I think that would be a better way forward and a fairer way forward for Committees. I think it would be unusual to … I mean many Committees use the services of other Committees, we do not expect those Committees to make a profit from work given by other Committees.

The other points I wish to comment on are: I think Deputy St Pier talked about Guernsey Water and he said that the debt has caused them to make savings. I would like to think that we do not need to put debt on to one of our businesses in order for them then to be able to focus on making savings. I think we should have a management of our business which focuses on being as lean as possible without having to take on debt.

On investment returns I notice that the long-term fund had an 11.1% return which I welcome, but I notice that the Social Security Funds only had 8.4% return. That is quite a significant difference. I just wonder whether going forward it is sensible that we have the control of investments. I know there are some committees between, but I think we should centralise it far better so that we have one control of our investments. I think any organisation would do that. The movement in recent years has been centralisation of services and I think we should do that, and to maximise our returns rather than having quite a sizeable difference in our returns from our funds in different areas of Government when I believe that the expectation in terms of getting access to that money is similar.

Deputy St Pier also spoke about the surplus. I think those words need to be caged with the fact that we have taken out £5 million that we have put into the Health Fund in previous years, so there is a £5 million reduction that really should be subtracted from that surplus. Also we have been drawing down the Transformation Fund and the future Economic Fund which were both funded from future reserve which should normally – if you go back in previous years, before we set up those funds – would be drawn down from the income from that year. So in fact we are spending money from our reserves because those two Funds have been funded from our reserves.

Finally, I welcome his comments about capital expenditure. I think what we have done in recent years is, quite rightly so, introduced much more robust procedures, and at the same time we have been reducing the revenue expenditure of committees and I think that has resulted in it taking considerably more effort to produce capital projects for approval, with the committees having less resources, which I think is one of the major reasons why we have underspent on capital, or had such little expenditure in recent years, because we just did not have the staff to develop the proposals.

So I welcome his comments that we need to make sure that we have the necessary staff and he welcomes any committees coming to P&R with proposals to increase their availability of staff to develop those proposals, because I think that is the only way we are going to increase our capital expenditure going forward.

Thank you.

The Bailiff: Deputy Prow.

Deputy Prow: Thank you, Mr Bailiff.

Through you, sir, I thank Deputy St Pier for his update on the accounts and the P&R Committee and their staff regarding this important huge task. I also fully concur with Deputy Ferbrache's both wise and positive words. However, sir, I would like to raise something that I have consistently raised at this time of year.

Sir, when the 2015 Accounts were debated in June 2016 I rose to draw attention to the Fiduciary Balance Sheet, where there was a reference to HM Receiver General and an amount of £15,717,000. In June 2017 in the accounts debate I made a similar reference to an amount of just over £17 million which is £1 million, just over, more than the previous year which was recorded on the balance sheet, and I pointed out this is a considerable sum of money. I also raised the subject of the Seized Assets Funds in connection to HM Receiver General's balance which actually are disposable funds. In particular, in 2016, when I first raised this I asked the President of P&R if he saw any merit in publishing the accounts of HM Receiver General. I have again checked with *Hansard,* and I quote, Deputy St Pier said:

> I do agree with the general points that Deputy Prow is making that actually the publication of those would be in the interests of transparency and that is something that we can perhaps pick up with HM Receiver General.

Sir, in the 2017 Account before us I find no reference to the HM Receiver's account let alone the actual Accounts themselves. This appears to be the reward for me raising this continually. I do note the Accounts on page 47 under Note 16 Depositors. There is a reference to charity and other fiduciary balances which is £50,406,000 – a very considerable sum of money. Please could I ask Deputy St Pier whether the balance of HM Receiver General, whatever that is, and the Seized Asset Funds, is that contained within that amount? I think that it is. Could I ask him does he consider that a satisfactory way of describing that large sum of money? Thank you, sir.

The Bailiff: Deputy Trott.

Deputy Trott: Thank you, sir.

Sir, over the years I have often thought to myself that one of the reasons why this Assembly is not always regarded as highly by our community as I think it sometimes should be, is because we are not very good at singing our own praises. (**A Member:** Hear, hear.) *(Interjections)* I shall do a little to help in that regard in a moment, but first to my friends in Alderney and that is what they are, sir, my friends, although I think many of them regard me as somewhat hostile.

I am genuinely expecting the two Alderney Representatives to vote against these Accounts. I will be disappointed if they do, but I will not be surprised. Because if they do not vote against these Accounts then they have to accept that the numbers that are shown on page 75 are accurate, and if they accept that then they should go back to Alderney and tell the people of Alderney that everything I have been saying over the last few months with regard to Alderney's increasing dependence on Guernsey, Alderney's increasing reliance on those cross-subsidies and Alderney's increasing deficit, are true.

Now, these figures show, sir, that – and I think Deputy Dorey referred to this earlier – even if one accepts that the contribution made to Guernsey as a consequence of Alderney's licensing of certain aspects of the gambling industry that takes place here, that the net contribution as shown in the accounts is £1.44 million. Even if we accept that as being accurate, then Alderney's net draw from Guernsey-based taxpayers is in excess of £5 million per annum. So the comments I have been making about how fortunate Alderney is, is something that I *expect* the Alderney Representatives to take back to that Island, because that is the reality. Alderney does extremely well out of the fiscal union that it enjoys with Guernsey. I do not have any problem with that. The problem I have is the constant denial of that. It is a fact, and it must not be overlooked.

Now, sir, that is the only negative thing I have to say really, because I am going to move now to issues around the fiscal security that we enjoy as a direct consequence of our fiscal prudence and in general our fiscal discipline, There have been one or two things that have not gone quite according to plan, they have been touched upon by others, but this fiscal discipline means, as we all know, that we have the highest credit rating that a ratings agency will apply to Guernsey that we can achieve, bearing in mind that we are not a sovereign jurisdiction in the same way as the UK is.

Deputy Ferbrache was pleasingly upbeat and I am delighted to hear that, but there are some elements in these Accounts that I think really are worthy of further analysis. I am going to start on page 13, because on page 13 we are shown just how well our reserves have performed. Now remember, I am going to be careful not to conflate issues, but remember in the UK, UK pensions are paid out of that year's annual receipts. They have no reserves, whereas down here in Guernsey of course we have very significant State Pension Reserves, enough I believe to pay six years or so of pensions, that sort of area – five or six years. I mean, it is an extraordinarily strong position to be in. But on page 13, leaving that particular issue aside, we are reminded of the performances of the Long-Term Fund and over a trailing five-year period – and remember I have only been around for a couple of years, sir, most of the credit for that five-year period goes to the excellent stewardship that Deputy St Pier's Treasury & Resources Committee marshalled over these numbers – has seen a 9% trailing five-year per annum performance. Now we set a target for those funds of the retail price index plus 4%, which was ambitious some may say, maybe the performance would suggest may be not quite so ambitious, because those funds outperformed that target by 2½% per annum, each and every year for the last five years. That is very impressive indeed.

Now, sir, if we go to page 18 we are reminded that as a consequence partly of that, but if one looks at the Superannuation Fund you can see that the net appreciation of those investments over 2016 and 2017 was £150 million. So the truth is that this community is £300 million better off as a consequence of the performance of these Funds over the last few years. Now, that is something to celebrate and that is certainly something that we should all be very proud of, and something that I am delighted to have the opportunity to remind Members of.

Sir, thank you.

The Bailiff: Deputy Soulsby.

Deputy Soulsby: Sir, yes, I will be brief. Because HSC has been mentioned I will be responding briefly to Deputy Green and Deputy de Lisle. It does seem sometimes you cannot win. We are questioned by Deputy Green for making savings and Deputy de Lisle for having more staff, and in fact I think Deputy de Lisle already answered Deputy Green's question.

We made savings through greater efficiencies including reducing agency spend, and invested in front line staff not civil servants. We included in our 2018 Budget, £3 million of savings made last year for reinvestment this year – and just to say, the ability to reinvest and the sustainability of the budget for the future will be something that I will be addressing in my statement tomorrow.

The Bailiff: Deputy Brehaut.

Deputy Brehaut: Thank you, sir. I will be brief too.

As a former Member of HSSD, I have some sympathy with the former Education Committee because £500,000 becomes £800,000, becomes £1 million when you have updates to a board. It can catch you out, these things can happen *very* quickly. I would also say that the previous Health & Social Services Committee resigned – actually I say 'previous', but of course the Board resigned twice, on operational issues; taking advice from staff on a ward closure, we could not deliver the reopening on time; we resigned. That awful incident in midwifery, operational, but the committee resigned. You sort of have to take the rough with the smooth within that. If there is an overspend, however it occurs, and you are a committee member, you still have to roll with it a bit. While we could all promote the work of La Mare, quite rightly so, and the massive improvement within that school, we have to also acknowledge that those sorts of results come with a great deal of increase in expenditure

But just to touch on: on 23rd May, I emailed all States' Members – and I just want to make a point clearly, I am not pursuing a Committee, I am not building a gallows, I do not want any heads to roll, I just want us all to understand because of the issue we have touched on today with emerging expenditure that can catch you out. Now, I emailed all States' Members on 23rd May – sorry, actually originally before then … no, it was on 23rd May – asking for an update on where we were with the expenditure on population, just a light narrative along with where we were with JESCC, so the States had an appreciation of that.

I did not receive a response, other than a very brief response from Deputy St Pier and – sorry, my reminder for that email was sent out on 23rd May, so a month had elapsed and I had still not received any response from anyone. Now, again I emailed Deputy Lowe and copied in Deputy St Pier, Deputy Trott and the Chief Secretaries responsible. And I would just ask that States' Members again, just to make this point, because I could have done Rule 14 questions, I could have done Rule 11 and people would say, 'Oh we do not need the Rules; we do not like the Rules'. I think I have been quite courteous in just saying, 'Give us an update; give us a light narrative on JESCC and on the population office just to keep us in the loop' – rather than doing it formally through Rule 14 which at times can look more adversarial than it need be.

So an update at some time would be appreciated. Thank you.

The Bailiff: Deputy Merrett.

Deputy Merrett: Thank you, sir.

I do not wish to risk tedious repetition but I fear I may have fallen into it. It is already quite a fairly dry topic but I do wish to highlight a few things.

Firstly, in theory the Accounts should be a statement of fact, but I fear this is only a theory, as there are examples of some ambiguity where perhaps P&R have made executive decisions. And that really does concern me, sir. For example, there was an issue of a surplus of £114 million: this reflects the difference between income which is up by £29 million and spending which is basically unchanged. It should be noted that this increase in income does again have some large sums that are unpredicted and potentially will not be repeated, and certainly cannot be guaranteed. I am referring to the two exceptional transactions regarding Document Duty which were worth £3.4 million.

Sir, it is the Reserves policies I am referring to: we had a surplus of £110 million but we end up with £22 million of unallocated surplus. After further reading and more questions, it transpires that other than the better-known and well-quoted 3% of GDP, we then put 5% in General Revenue account – and Members may recall we are trying to rebuild our Core Investment Reserve back to that which will cover one year's worth of expenditure. The Core Investment Reserve is more ambiguous, as it is what P&R deem we can afford.

I believe it would help our community and Deputies if there was far more clarity in what our Reserve policies are, what is currently in each Reserve and what has been allocated in the Accounts – and crucially it is the 'why' that is so important. I agree with Deputy Green this should be included in the accounting policies – not just the 'what' but the 'why'. Furthermore, the transfers to Reserves are presented as a done deal by P&R, but arguably to a certain degree they are discretionary. They are an interpretation of past States' Resolutions: resolutions that are made without us knowing for definite if we are even going to be in surplus or deficit.

Should this Assembly be agreeing the transfers as separate propositions, or simply approving? Or indeed now maybe P&R in order to *note* the States of Guernsey Accounts? I believe that what we save, which pots of money we have and how much we put in them should be debated when we actually *know* how much we have in surplus or deficit. It should be a decision for this Assembly. Yes, we can have a Budget debate in which we indicate percentages or desires but when we actually know, I believe that is when we should have the debate based on the facts rather than aspirations. Sir, I am concerned that Deputy St Pier says we should simply note these decisions and actually not indeed go with – as alluded to by Deputy Green – the possibility of further propositions to actually have that debate in this Assembly.

So, sir, we – and you will be glad to know I mean the Assembly not your good self and myself – are being told that we have £22 million available to us to determine how we should or should not use it in 2019. It feels, sir, to me almost like it is our pocket money that has been given to the Assembly by Policy & Resources.

That takes me on to Capital Reserve and the amount that is in it. In April this year we had £200 million and we will be adding more. We are now getting notoriously poor at investing in infrastructure, and even when the Assembly decide to use the Capital Reserve for what is arguably an infrastructure project – the Waste Transfer Station – we are warned that if we do that then the terms of lending on the Bond may have to change. Why? Because we must lend on that money that we have lent ourselves, our Government Bond, our debt, we must pass it on to our community so that we can ensure we cover off the interest payments that are needed to repay the Bond. I fear this attitude is that we must pass on this debt to our community; we must simply get our community to use the Bond. I will not even mention cremators or making an investment that is appropriate to our infrastructure.

Now carrying on the theme of debt, sir, Aurigny – or Cabernet as it is referred to – has now accumulated a loss of £31 million and that is likely to rise. So I am most thankful that the Committee *for* Economic Development has finally submitted a policy letter on our air transport licensing and will finally get to debate the benefits and detriments of our public service obligation, rather just stating it as an accumulated loss. What financial obligation do we, or should we, have for Guernsey to Alderney routes? Should we have a PSO for the Guernsey to Gatwick route? These should be budgeted losses that are capped, not an open-ended cheque book, sir.

That takes me nicely on to grants – not the same as PSOs but similar, as it is we, the States of Guernsey, who give grants to various organisations. They totalled in 2017 to over £26 million. Twenty-six million pounds. Some, the States in their entirety debated and deliberated and decided upon; some, individual committees have delegated authority to determine. But my concerns, sir, are the caveats or the controls that some of these funds are being allocated on. I would like to see more transparency, more openness, more key performance indicators and more holding those to account – those that have delegated authority but also those who are in receipt of the funds, and a very clear understanding and explanation as to how they benefit our community.

My other concern is one we have already mentioned, but it is of great concern to me, is the doubtful debt provision for the Office of the Public Trustee, at *£1 million*. The Committee *for* Economic Development's budget is approximately £6 million most of which are pay costs, so how are they meant to be able to plan or indeed pay for such a situation. Is that the extent of their liability to the Public Trustee or is there more to come? One assumes that they, being the Committee *for* Economic Development will, if they have not already, be approaching P&R with their cap out.

I thank Deputy Dorey for mentioning the Health Service Fund Grant – in 2016, £4.6 million was transferred; in 2017 nothing, as agreed in last year's Budget debate. But when will this be reinstated? When, or indeed *will,* it – or *if* it is even reinstated? Or will it be transferred to the Health & Social Committee?

However, as the Presiding Officer has rightly said, this debate is meant to be all on the Accounts. So I will finish, sir, with saying that the set of accounts is slightly clearer than before but it seems to be a long, hard slog to get to IPSAS. Agreed in 2012, we are still on the uphill climb and the sooner we reach the top, the better, sir. Thank you.

The Bailiff: Deputy Tindall.

Deputy Tindall: Thank you, sir.

Like most in this Assembly, sir, it is always good to see an improving financial position and most committees, a board and an authority did not overspend. Although I must say, I do have confidence a better grip on budgets from the three committees who did have such an overspend will follow. However, I too am wholly disappointed with the statement on page 2:

> … that actual expenditure incurred on programmes and projects in 2017 was only £8.2m.

I agree with comments so far calling for such capital projects to be hastened, and Deputy Fallaize's offer to work with P&R, albeit obviously not all at once but staggered appropriately.

I also have to reject the scaremongering of Deputy de Lisle. Page 209 says:

> In relation to SLAWS, Committee workshops will be arranged in order to discuss how other jurisdictions support and fund long-term care in their communities, and to discuss the cost analysis of current long-term care provision, which is being undertaken in early 2018. The outcomes of this work will be reported to the States towards the end of 2018.

These are workshops, no decision has been made, and I am sure that the errors I know so well of the UK will be discussed and avoided at all costs.

Also whilst Deputy Brehaut said they should roll with it, I would like to suggest Deputy Inder and Deputy Meerveld read the Code of Conduct for States' Members especially Sections 8, 9, and 10 in the light of their comments today, and also as we have a debate on the subject this week.

Deputy Gollop mentioned Alderney and so will I, as did Deputy Trott, but I do not accept the absolute statement he made regarding Alderney's position. It is useful to see the Alderney accounts but also to identify at page 75 this statement:

> The total direct gross economic contribution to the Bailiwick of the e-Gaming Sector in Alderney is estimated to be £25.9m in 2017…

– a slight increase –

> … which comprises £5.2m in respect of Alderney … and £20.7m in respect of Guernsey … including £1.44m in personal income tax and social security contributions.

I look forward to receiving also the Alderney eGambling Limited Report and Accounts for 2017 due at the end of this month, so that we really can understand the financial position, and perhaps accept the very importance of Alderney and push ahead with the Runway Rehabilitation Project and treasure the jewel that our northern Isle represents especially in our Island-hopping offering.

Sir, I also just take this chance to digress as we approach 12 o'clock and possibly the end of this debate *(Interjection and laughter)* to say that I was hoping to be at Castle Cornet at this time as the Noonday Gun is about to be fired which is to celebrate the 150th anniversary of the founding of the Royal Commonwealth Society, and I pass my apologies for not being there.

I also note, sir, to go back to the Accounts, and forgive me for that digression, there are statements at page 90 and again at page 129 in respect of the STSB's accounting. It says:

> In carrying out these responsibilities the [Ports Board] …

– in this instance

> … is bound and enabled by States of Guernsey rules for financial and resource management and the rules, directives, policies and procedures of the States of Guernsey, such as, but not limited to: Finance; Procurement; Property; Human Resources; [etc. etc.]

– I will not read them all out.

With all these changes, sir, I would like assurance from the President of P&R that we will indeed all receive in the very near future the up-to-date version of those rules and directives of the States of Guernsey, considering the current version was written in 2009.

Thank you, sir.

The Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, sir.

I welcome these Accounts, I think they are really good Accounts and there are a couple of areas which I was perhaps going to raise but they have already been mentioned, so I am not going to actually repeat those.

All I wanted to do was just … I am not quite sure what has happened to Deputy Brehaut's emails because I replied to Deputy Brehaut over two weeks ago with apologies for the delay and that the staff had been directed to look at your questions. States' Members are fully aware that there is a review going on, both on population management and JESCC, but we were happy for the staff to be diverted to that to answer your questions. It was taking a bit of time but you would get the answers on my return, through you, sir, and that they were going to the Committee at yesterday's meeting which was set out in the email to Deputy Brehaut over two weeks ago.

I can confirm it did go to the Committee yesterday afternoon and it was directed that you would have the answers hopefully today, sent by email. Thank you, sir.

The Bailiff: Deputy Smithies, then Deputy Dudley-Owen.

Deputy Smithies: Thank you, sir.

As a former President of the Royal Commonwealth Society I, too, would like to regret not being there. *(Interjections and laughter)* Timing!

I just rise to address something that Deputy Dorey commented on, which was the surplus at the States' Works. As the elected States' Member of that board, I feel that a word might be appropriate. He mentioned the £975,000 actual surplus and whilst I agree with him in principle that it would not be a good idea to be storing up profits if those profits were being generated from States' committees, I would just point out that 90% of the revenue of the States' Works comes from other States' committees, but 10% is from private income. Given that the surplus which was budgeted of £365,000 represents 2½% of the budgeted revenue of £15,000, it is not actually out of order.

The actual surplus of £957,000 is above the £364,000 budgeted by almost £600,000, but that is simply because of three factors: the return on investment was higher than predicted, as has happened in many cases – many committees have had a windfall return from investment; there was a lower depreciation figure, simply brought about by not spending money on the purchasing of plant and vehicles, and that was another £157,000; and then lower overtime and salary costs saved another £¼ million. That was the difference of £600,000 between the budgeted surplus and the actual surplus.

If the argument is that States' Works should not budget for a surplus, even a modest £364,000, we could very quickly find them in a loss-making position. If the unexpected return on investment, depreciation and staff costs had not been realised, as could easily have happened, and instead of a deficit of actual revenue against budget if it had actually been, say, £720,000 – only a 2.3% difference – then there would not have been a surplus and we would have been in a loss-making position. So I think as a general principle, yes, we should not be budgeting to make *excessive* surpluses, but I think 2½% is reasonable and justifiable.

The Bailiff: Deputy Dudley-Owen.

Deputy Dudley-Owen: Thank you, sir.

Sir, we are asked to decide today whether or not to approve the States of Guernsey Accounts for 2017 and that is why we have gathered on this rather very sunny day here in the Chamber to debate this approval. Deputy St Pier has confirmed that P&R have already approved or authorised the Accounts in order that the auditors could conduct their audit. They did this, as evidenced on page 25, on 22nd May this year. I feel a bit pedantic actually saying this, but I do query how we can approve the Accounts if this has already been done.

The audit has been conducted, financial statements have been declared for the year 2017 as accurate and fair representation, the process complete. Why are we being asked to approve? I am happy to note, to endorse even, but I cannot vote to approve because it has already been done. *(Interjection)* Deputy Gollop is telling me it is to get our names in it, but that still does not really clarify the situation for me.

Deputy St Pier then further confused me because he then brought up the 1925 Extant Resolution and said that P&R would be moving an amendment in the Budget later this year to revoke that Resolution, and this seems to be rather like the horse before the cart or putting things in the wrong way round. Why wasn't this amended earlier so that the authority could be delegated down to P&R in order to make the appropriate approval rather than them coming to the States to ask for an approval which actually is academic? It is not required.

So I wonder if Deputy St Pier can give some clarity on this and maybe he can apologise for the Accounts being approved, rather like he did for the preferred bidder for the audit being made without coming to the States first.

Thank you.

The Bailiff: Deputy de Sausmarez.

Deputy de Sausmarez: Thank you, sir.

Just two quick points. Staff costs have been mentioned a couple of times today and I would just like to reiterate that as a Government our job is not to save money, it is to provide public services. I think it is always very important, although obviously there needs to be a focus on efficiency and reducing or eliminating any unnecessary expenditure, I think it is so important that we always bear in mind when we are talking about staff costs to bear in mind the impact that staff numbers have on the provision of public services.

So I would like to reiterate that in the strongest possible terms, and it does touch on things that Deputy Parkinson and Deputy Smithies say about States' Works as well. I would echo some of what Deputy Dorey said in that respect, too. It is all very well to have smarter and more lean working practices but we do have to be mindful of how those affect the committees that States' Works are supporting.

The other point I would like to make is a point I have made before. We have heard again from Deputies Green and Dorey, I think, about in terms of our investments, States' investments. Deputy Green said he would like to see the policies more clearly set out within this document – I completely agree; and Deputy Dorey mentioned the need to centralise our investment strategies. This is, I believe, something that has been promised to us by Policy and Reform, I believe there is already a more centralised approach as of the beginning of 2018, but P&R have been promising us an actual policy on investments, and I would like to ask the President of Policy & Resources when that will be forthcoming. I have asked that question a couple of time before and I have been fobbed off with precisely no answer whatsoever. So I would appreciate something a little bit more definitive in terms of when we will be able to see the policy on States' investments.

Thank you.

The Bailiff: Anyone else? No? In that case – oh sorry, yes, Alderney Representative Jean is standing.

Alderney Representative Jean.

Alderney Representative Jean: Thank you, sir.

Alderney is not the drain on Guernsey's economy that some believe, and I see here in this Assembly that some of the States' Members are aware of that. The States of Guernsey Financial Accounts show that the net cost of Alderney to Guernsey in 2017 was £6.8 million. They record income from Alderney as £11.1 million and the total expenditure of £17.9 million. This expenditure includes £10 million on the transferred services, which includes health care and education. It also includes the Aurigny operating loss in respect of the Alderney routes, which is put at £3.3 million. But, as many people are probably aware, the efficiency of Aurigny must be questioned before this latter figure is accepted as reasonable.

The headline accounts from the recorded £6.8 million loss, however, ignore the gross contribution to the Bailiwick economy of the e-gaming sector, already mentioned by Deputy Tindall, for which I am extremely grateful. Usefully, the accounts show an estimate of this in the direct benefits – I will not mention those again because they have already been mentioned – earned in Alderney, and the £20.7 million earned in Guernsey. Although not recorded in the accounts when indirect benefits are taken into account, many believe the total to be around £40 million to £50 million.

So while the States of Guernsey accountants may prefer to look at the headline financial figure, economists and anyone truly concerned with our two economies will be taking a wider perspective. When the wider economic benefits of our partnership are incorporated into the assessment it might look to some as if Alderney is supporting Guernsey and not the other way round.

My good friend Deputy Trott is able to criticise Alderney because of a decision taken by Alderney's P&F Committee who, in their wisdom and at the behest of at least two previous Chairmen – long gone now, it was part of the financial transformation package – wanted to reveal the subvention for Alderney, the difference between the profit and the loss. I did not vote for that, I knew that this would set Alderney up for regular pot-shots to be taken at us over our accounts.

Deputy Gollop made the point that none of the parishes have ever agreed to be singled out in this way, as the two parishes which make the profit are St Peter Port and St Sampson's. I do not know if any of you agree with that. I am grateful to Deputy Gollop and Deputy Dawn Tindall for their understanding and their recognition of the contribution that Alderney does make, and there are many other Deputies along with them, I know, who feel the same and are very supportive of Alderney and I am grateful to you all too.

I will not be taking the advice of my good friend, Deputy Trott, to vote against what I regard to be a good set of accounts and a good Budget – and very well done to the Guernsey States for it as well – and deserving of praise. Instead I shall vote *for* the 2018 States Accounts for Guernsey and *hope* that eventually a man who was once such a good friend to Alderney can be again, once the full working accounts of Cabernet/Aurigny, have been published. (**A Member:** Hear, hear.)

Until then, my good friend Deputy Trott would do well to remember Alderney has had to stand by with no influence over what has gone on through Aurigny, and through the problems with Aurigny – wait a moment, I am nearly finished, and I am quite happy for you then to come forward – has had to stand by more or less helpless as regards influencing the situation, which has been growing in its critical nature for some years now. And sadly, to my mind, P&R has not done its job. There we are. Thank you.

Deputy Trott: You need to give way, I think.

Alderney Representative Jean: I am giving way.

The Bailiff: He is giving way.

Deputy Trott: Thank you.

I am grateful to my friend for giving way. I am also, sir, relieved to hear that Alderney Representative Jean is going to vote for these accounts, it is laudable; but he must understand that in doing so he is agreeing to their accuracy.

Now the £3.3 million Aurigny operating loss has been separately, independently audited and has been amalgamated into these Accounts in the normal way. So in doing so, by voting for these Accounts, which he has confirmed he intends to do, he is confirming two things: firstly, his acceptance of the £3.3 million-worth of operating losses Aurigny experiences on the route, and an acceptance that even allowing for the significant contribution that gaming makes, the net figure, the net contribution from Guernsey taxpayers to Alderney taxpayers is well in excess of £5 million per annum, which as he will know equates to £2½ thousand per person in Alderney each and every year. So I just want to be clear, sir, he understands exactly what he is voting for; but I am delighted to hear that he has already confirmed he intends to do so.

Deputy Kuttelwascher: Sir, point of correction.

I think that statement in part was highly misleading. None of us can guarantee all the figures in these Accounts are correct, and by supporting them you cannot assume that everybody agrees that the figures are correct. We have also been told they have already been accepted, as Deputy Dudley-Owen said. So I do not take at all the point made by Deputy Trott that the Alderney Representative, by supporting the Accounts, is agreeing that all the numbers are correct, because none of us know the answer to that. We presume they are correct because an auditor says they are correct, but there we go. So I think it is a bit of a stretch what Deputy Trott is suggesting.

The Bailiff: Alderney Representative Jean.

Alderney Representative Jean: Thank you, Deputy Kuttelwascher, that is a fair interpretation of it. The fact is I am not voting for the Accounts for what Deputy Trott thinks that I am voting for the Accounts for, because eventually we will see the publication of the nuts and bolts accounts of Cabernet/Aurigny, that is what I want to see; and I agree with what Deputy Kuttelwascher has said. He is correct, and I can still vote for the Accounts. Thank you.

The Bailiff: Anybody else? No.

Deputy Parkinson, do you wish to reply to anything that has been said during the debate in relation to the States' Trading Supervisory Board?

Deputy Parkinson.

Deputy Parkinson: Okay, there were one or two matters within either of my mandates which I can respond to.

First of all, Deputy Green started with some finger-wagging at the costs of the Public Trustee litigation reflected in the provision for bad debts in the Economic Development accounts, and as a qualified lawyer of course he will know that the costs of litigation are very unpredictable and that it is virtually impossible for the Committee to control those costs. So I think he will just have to, like the Committee, wait and see what happens.

He noted the losses of Aurigny and others mentioned that. His main question I think for me was to do with Guernsey Electricity's pension deficit and the pension position at Guernsey Post, which was odd because we are not actually approving the accounts of Guernsey Electricity or Guernsey Post, which are not contained in the policy letter in front of us at all. The 2017 accounts of Guernsey Electricity and Guernsey Post were debated by this Assembly last December and the explanation at that time was that Guernsey Post has ended its participation in the States' Public Servants Pension Scheme for both existing and new staff, whereas Guernsey Electricity has elected to maintain the Public Sector Pension Scheme for its existing staff, and consequently it carries a greater liability than Guernsey Post.

Now, Deputy Laurie Queripel observed that some of Aurigny's aircraft are funded from the Bond and that the interest on the Bond is contributing to the losses of Aurigny which eventually get recapitalised out of the Capital Reserve. All I can say is, yes, that is an accurate observation, that is currently what is happening. But the Committee *for* Economic Development is proposing to bring forward a PSO arrangement on the Alderney routes which will very substantially, we hope, eliminate Aurigny's losses. Whether or not Aurigny wins the contract, Aurigny's operating losses this year are forecast to be about £3.9 million, and £3.2 million of that is related to the Alderney routes. So either Aurigny will stop operating to Alderney and someone else will take on the routes, or in future the losses that Aurigny is sustaining on those routes will be subsidised, and therefore Aurigny will be much closer to operating at a break-even position and can hope to fund the rest of the deficit by other improvements in performance.

Deputy Gollop: Can I raise a point of order here, sir?

The Bailiff: If it is a point of order.

Deputy Gollop: I hope it is. Well, Deputy Parkinson alludes to the Alderney routes but does he include within that the Alderney/Southampton air route currently operated by Aurigny?

The Bailiff: That is not a point of order.

Deputy Parkinson: It is the intention of the Economic Development Committee to propose that both Alderney routes will be subject to PSOs. However, the funding for those routes is not within the gift of the Economic Development Committee and that will have to be sorted out by Policy & Resources and the States of Alderney, so I cannot give him a definitive answer to the question.

Deputy Dorey wanted the incorporated asset accounts to be included in these Accounts, and they could be. As I say, the 2017 accounts for Guernsey Electricity and Guernsey Post have already been debated by the Assembly, but they could have been included in this bundle if that would have helped Members. He said the membership of boards of the unincorporated businesses should be expanded to include more representatives of the private sector, and the STSB agrees with that. The plan is to expand the number of members of the boards of the unincorporated businesses, but we are waiting to see how the new governance structures bed in first before we start adding numbers to those boards. He said that States' Works should aim to break even and Deputy Smithies I think has ably dealt with that question. Obviously the States' Works has to budget for a small surplus, because of the risk of getting it wrong means that there would be a risk that they would fall into deficit if they did not aim for a small surplus, and in fact the surplus this year turned out to be larger than budgeted for the reasons Deputy Smithies has given.

Deputy Merrett underlined the need for the Alderney routes to be subsided under PSOs and I have covered that. She mentioned the doubtful debt provision for the office of the Public Trustee and I have covered that.

Deputy Tindall was disappointed with the overspends of three committees. Of course the Committee *for* Economic Development overspend was entirely due to the provision for the costs of the Public Trustee litigation in one case, as she well knows; and as another qualified lawyer she will also know that the costs of litigation are very difficult to predict or control.

Those were all of the comments and questions that fell within my mandate so I have nothing further to add to what has already been said.

The Bailiff: Deputy Le Clerc.

Deputy Le Clerc: Thank you, sir.

I have got two or three responses, and if I start with Deputy de Lisle, he talked about SLAWS. I think it is an opportune moment to remind the Assembly that actually part of the SLAWS work is also to widen the scope so that it will not just include what is delivered in care homes but what is also delivered at home and home care.

I think part of the problem is that we are living with promises that were made when this scheme was first established 15 years ago and that promise was to protect people's houses. However, the reality is that there is not enough money in that Fund and there will not be enough money going forward. So we are going to have to make some very difficult decisions. And I say it is 'we' because sometimes, sir, Deputy de Lisle says, 'Oh, it is Social Security, it is Social Security'. It is not Social Security, it will be this Assembly that has to make those difficult decisions. We are looking at two or three options and I think at the present time we are minded to come back with those options – and they are not easy options – for the Assembly to make that choice themselves. But I think this is a timely warning to say that there are going to be some very difficult debates ahead on SLAWS.

One of the options may be that we increase the insurance contributions but we are then putting the burden of responsibility on our young people. We know we are struggling to attract our young people back to the Island and those people on the Island at the moment are struggling to get on the housing ladder with mortgages, with increased taxes, with increased contributions. So there are no easy options. I think finally on that point is just to say that probably most people pay their contributions and one year's contribution is probably only equal to one month's care in a care home. So I think that is a stark reminder. I just thank Deputy Tindall for reminding us all that, yes, we will be coming back and we are working on that.

Deputy Lester Queripel was correct, I did say that less than 30% of pensioners receive a full pension. But I think again it is another reminder that actually we have two extremes: we have pensioners living in absolute poverty, but also we are in times when pensioners, many pensioners and some of you in the Assembly today, are actually on final salary schemes – very generous final salary schemes. So we do have those two extremes. Another reason why many pensioners do not receive a full pension is because actually people come and live and work here on a five-year licence and then they will go back to the UK or they will go overseas. So out of those 18,000 pensioners that we are paying, only approximately 12,000 are actually local pensioners.

But I hear what Deputy Queripel is saying, and getting people to come forward and ask for help is always *very* difficult, and it may be that we can put something on when we advise people of their pensions in January – for those local people we can put a little reminder that we are there. But I think we also need to acknowledge the great work that many people in the third sector provide and that is advice and help, people such as Citizens Advice and Ageing Well in the Bailiwick, and I know that they do signpost people to us that are in difficulty. Yes there are approximately 700 pensioners receiving benefit top-ups but we must also remind ourselves that all pensioners receive free prescriptions, and that is something that Social Security has felt was really important, particularly when we have our ageing demographic and more and more people on medication.

Deputy Gollop has the ability to ask questions whenever he is in a Committee meeting at AOB, but we actually discuss on a quarterly basis and review the Insurance Funds as part of our review of our accounts and our business, so I look forward to receiving those questions when we next discuss.

Deputy Dorey about our investment portfolio: I think I need to point out that we have a slightly different investment mandate from Policy & Resources, our target rate is LIBOR plus 3½%, and actually looking at LIBOR at the end of 2017 that was about a ½% and our 3½% target, so our target was about 4%. So we have actually exceeded our target. We are also in drawdown mode and, as I said in my opening speech, what we have been trying to do is de-risk our portfolio. Part of that has been that being in drawdown mode I think the public of Guernsey would be really shocked if we went back to something like 2008, because in 2008 if we went through the same fall in the market we would lose £141 million out of that portfolio overnight. If the equity market went down only 40% we would lose about £90 million of that portfolio. So I think looking at the risk profile has been one of the main aims of the Committee.

However, I probably sound very defensive, but we know that we are working with P&R to look at potentially amalgamating the investment portfolio, but we need to ensure that the public perception is that those old-age pension funds are ring fenced, because that is their money, that they have put in. I think that is something that we will need to consult with the public because that perception we need to ensure that they feel confident that those funds that they have put in are there for their old age.

Deputy Merrett, the Health Service Fund: we are in discussions at the moment with Policy & Resources and we have got a meeting at the beginning of July to discuss the budget and our uprating report and we will be discussing the Health Service Grant. But I think part of the reason why were happy last year, or agreed to forego the grant to the Health Service Fund, was that we knew that there was going to be overspend in Health and that helped ease the situation through the general revenue; and we felt it was still going for the provision of health services. The sustainability of the Health Service Fund is in a slightly different position to the other Funds, so there is some better sustainability at the present time.

I think, sir, that is everything on those questions, and I thank you.

The Bailiff: Well, Members, I propose that we continue to sit in order to conclude this debate. Those in favour; those against.

Members voted Pour.

The Bailiff: We will continue.
Deputy St Pier.

Deputy St Pier: Sir, thank you, and thank you to everybody who has participated and contributed in the debate.

I think starting with Deputy Green, Deputy Parkinson actually responded to a number of the questions which Deputy Green asked, but I think in relation to his questions and also essentially those that Deputy Merrett asked in relation to the policies relating to the Reserves and seeking separate propositions on transfers to the reserves. Of course the appropriations to Reserves are completed on the back of States' Resolutions which generally are presented to the States at Budget time. Sometimes of course we are doing that in arrears, so when we have a surplus as we have done in 2017 we will be presenting that with a series of recommendations and Propositions attached to that in October 2018 in respect of the 2019 Budget. So there is quite a bit of catching up, and therefore I think that probably explains some of the confusion. I think the only discretion that exists is where authority has been specifically delegated to the States.

In relation to the question around the IPSAS pension standard and what impact it will have: we are certainly looking at it as part of the IPSAS project in terms of assessing the impact on the pension position and discussing that with the auditors. We think we may have some more latitude than we currently do under FRS102 and we may have the opportunity to have a more realistic discount rate, or in other words forecast investment return, but I am not in a position to confirm that as yet.

Deputy de Lisle spoke about focussing on the number of employees. I think we have to be realistic here and, as I said in my opening statement, we are a very lean organisation by comparison to any similar jurisdiction providing the level of services we provide. But we have always got to acknowledge that in some arrears we have perhaps too many staff and in other areas we have too few. I think Deputy Dorey identified that when he spoke, that actually in relation to accelerating our capital programme we probably do need to find additional resources, including people, to help that to move ahead.

I think to describe TRP as a 'mortgage to government', with the greatest respect to Deputy de Lisle, I think is a gross exaggeration, with the average TRP remaining under £200 per property – that may not be the case for Deputy de Lisle's property, I do not know – but the average being £200 per property, that cannot be described as a mortgage.

In relation to the state of the Capital Programme, Deputy Graham asked where we are. Certainly I can confirm the Capital Reserve is sufficient to fund the current portfolio assuming everything comes in at our current assumptions about the value of projects. The £30 million waste impact which he referred to, I think really will impact probably on the next portfolio to follow on. P&R is due to consider the implications of the decision that the States made in order that we can update the States with recommendations in the Budget Report.

In relation to the state of the Capital Reserve this year, obviously slightly outside this debate, but to answer that question we have had the £53.2 million appropriation into the Reserve. Deputy Fallaize said it would be difficult to decelerate the rate of spending on capital, well I think we have actually managed to do that so far this year, because we have only actually spent £3.2 million other than the decision on Capital Reserves. So again perhaps highlighting the *very* real issue that we do have there, and I will return to that in addressing Deputy Fallaize's comments later.

Deputy Laurie Queripel referred to questions from, I think he said Islanders that we would recognise some of these – I think actually some of the questions had come from people who are not actually resident in the Island – but nonetheless addressing the question of the Pension Fund and whether it is an asset of the States or not. We have to recognise that the Pension Fund is not a segregated trust account as such. It is therefore there as part of the assets of the States to meet its ongoing commitments to pensioners, and its future expected commitments to future pensioners of the States. So if it were to be structured in a different way, then I think the question might be valid, but at this stage the reality is if the Pension Fund falls short that liability is going to need to be picked up anyway by the States of Guernsey, and ultimately by future generations of taxpayers. So it is appropriate I would suggest to account for it in this way.

I think Deputy Parkinson dealt with most of the questions in relation to Cabernet, and I cannot demur from his responses there, other than to note that when the recapitalisation took place in 2016, of course there was an assumption that at that point the business was capable of breaking even, and that has proven not to be the case. We hope that the current set of assumptions and forecasts may prove to be more realistic.

In relation to the comments on page 11 which Deputy Laurie Queripel drew attention to, and in particular he was referring to senior employees in the context of outsourcing, I think he makes a valid point. I think the numbers in relation to those senior employees I think we have to accept they *are* significant numbers by any standard, but also I think we have to be realistic about senior officer pay. Actually the Chief Executive's pay by comparison to others in similar organisations of a similar size is probably lower than it might otherwise be. But I think there is further information that we can perhaps think about including which exists in other reporting formats; for example, the most senior individuals as a multiple of average earnings. So it just helps give a better sense of where pay is sitting.

Deputy Laurie Queripel also drew attention to paragraph 6.1 and in particular noted that we have more people working and contributing in tax and therefore the impact that needed to be taken into account in population policy. I take his point but I would add two notes of caution in relation to that. We do not have the information to know how many of those additional people working – we do not know how long they are working, in other words how many hours a week. There is a huge incentive in the Social Security system for people to work just a few hours a week, as an employee, in order to have a lower social insurance contribution. So that is just one word of caution. The second word of caution is that we cannot assume that that trajectory of more people working or people working later into life is inexorable, at some point it is unsustainable and that will need to be factored into our thinking on population policy in due course.

When will IPSAS be introduced, was a further question. Once we have formally declared our intent to introduce IPSAS then we have two years in which to complete that process. At this stage we think it will probably be about five years, something of that order.

Deputies Inder and I think Meerveld – and Deputy Dudley-Owen also, but did not raise it when she spoke but I think was agreeing with Deputies Inder and Meerveld – spoke in relation to the forecasting errors. I can confirm there were forecasting errors in terms of the information provided to the then Committee, but of course the business partner for Treasury in building those forecasts is reliant on information coming from budget holders in the office for the Committee *for* Education, Sport & Culture. So if that information that has been fed up from budget holders about their assumptions of what was sustainable in 2017 were wrong, then that would be collated and reported incorrectly, and I think that is something that we need to be aware of.

In comparing £2.1 million with £3.8 million we are not comparing apples with apples. The £2.1 million is the actual outcome in terms of an overspend versus what the States had approved for 2017; the £3.8 million is what is expected or is likely to be the outcome if there is no further change between now and the end of the year, there or thereabouts. In terms of where did the additional £1.9 million come from, I would draw Members' attention to page 48 of the Budget Report paragraph 6.26:

> The Committee for Education, Sport & Culture has submitted a budget request of £77.8million which is £3.9million in excess of the recommended Cash Limit …

We then explained in the Budget Report in a series of bullet points where that difference came from.

So the additional £1.9 million was not as a result of commitments made by Deputies Inder, Meerveld and Dudley-Owen when they were still serving on the Committee in those first few weeks of the year, it was as a result of the decisions made by the States in the 2018 Budget debate, including of course at 1% reduction in the Committee's cash limit for 2018.

I can also confirm to Deputy Inder that the cheque book has not been opened – as Deputy Fallaize said, the Budget Reserve is there and as set out in the Budget Report to ensure that funds can be made available to the Committee once they have, if you like, forgive the pun, shown their homework in terms of how they are going to deliver future savings; and Deputy Fallaize I think set that out quite clearly in terms of that process.

The challenge of course came: why did it not happen in June as per the Resolutions? But again as Deputy Fallaize said, in the P&R Plan debate we rescinded those Resolutions and replaced them with ones that said the Committee *for* Education, Sport & Culture and the Committee *for*

Home Affairs will work with P&R and that will be dealt with in the Budget Report. So in the Budget Report we will expect to set out further details in that matter.

In terms of accelerating capital projects, Deputy Fallaize's comments, this is important not only in terms of the need for capital spending in its own right for all the reasons I set out when I spoke at the outset, but also to deliver some of the savings we expect. This has come through in the dialogue which P&R has already started to have with Education, Sport & Culture. If we cannot complete the building programme that is necessary to deliver the transformation of education then we will be having increased revenue expenditure for a greater period of time. So it is in all our interests that we find a way to accelerate that process, obviously through the approval of this Assembly when policy letters will need to come back to approve those projects, but we are committed to making resources available, as I said when I spoke at the outset, not only for the Committee *for* Education, Sport & Culture but for any other Committee that wishes to accelerate its capital programme.

Deputy Gollop referred to an increase in P&R's expenditure by £5 million, actually it was £0.5 million – that is obviously a significant difference – *(Laughter)* that was as a result of transfers between committee budgets, so as P&R takes certain functions and it will take budget from others and there will be a concomitant reduction for the other committee.

Deputy Dorey requested that we incorporate some reporting of the incorporated trading assets in these Accounts, and that is certainly a matter that I think can be considered and perhaps the President of States' Trading might take that issue away. I note also his comments in relation to increasing private sector involvement in the management boards. He certainly seems to be arguing for more rather than less political influences which may be a debate we are about to have on the Requête in due course.

In relation to the 11% versus 8% return between P&R and Employment & Social Security on the respective Funds, I think Deputy Le Clerc has explained that very well. We do now have a single set of staff servicing both sets of Funds. We are looking to a single governance model, at the moment whilst we sit, if you like, on each other's oversight actually it does make sense and we have started that process of working, what that might look like. But we do have different investment objectives, as Deputy Le Clerc said. That also needs to be questioned and challenged, which P&R are doing in the same way that Deputy Dorey was doing, to say actually in the same way that whatever happens to the Annuity Fund the States of Guernsey will need to meet those obligations.

That logic applies equally to the Insurance Fund that if the funds are not there then taxpayers will still need to meet the obligations to future generations of States of Guernsey pensioners, of the public. Therefore we should not necessarily be thinking about de-risking a single portfolio because it is run-down, we should be looking at the assets and liabilities of the States as a whole and that may enable us to change our risk profile and change our investment policy and our investment mandate. That is the dialogue that we are having and indeed that may lead to change in due course.

Deputy Prow: I welcome, sir, through you, Deputy Prow's repeated mention of the HM Receiver General's and Seized Asset Funds. Please continue to raise this issue. We are in ongoing dialogue with HM Procureur obviously wearing HM Receiver General hat. The HM Receiver General Fund is complex, we have to recognise these are Crown Funds not States of Guernsey Funds. The accounts are in arrears, they are being brought up to date, and in particular we need to consider the liabilities that need to be matched against those assets. We hope that those accounts will be finalised shortly, they are about to be audited by Grant Thornton. The matter of their publication is not one for the States of Guernsey it is for the Receiver General, but I am sure the Receiver General will have heard the debate today and no doubt will consider that in due course.

In relation to the Seized Assets Fund, that is a statutory fund which has been created by operation of law. A policy letter is being written at the moment, but we have to keep in mind that international standards do require that at least the bulk of those funds are used to assist in the fight of economic crime, so they are not freely available to do necessarily what we will. But again that is a process and a conversation which is taking place with Home Affairs and HM Procureur in relation to the Seized Assets Fund.

Finally in relation to the question of the current state of those Funds, HM Receiver General's is sitting at about £12 million, subject to the point of liabilities, and Seized Assets at about £15.9 million – so in other words £27.9 million of the £50 million figure that Deputy Prow referred to.

Deputy Tindall: just worth noting that the gambling surpluses in Alderney would normally form part of the common purse between the two Islands but by agreement of course for the last few years those have been set aside for Alderney's future capital projects. I will give way.

The Bailiff: Deputy Tindall.

Deputy Tindall: Thank you, sir, and thank you to Deputy St Pier for giving way.

I was not actually referring to the surpluses, I was referring to the general contribution the e-gaming sector gave which is very difficult to ascertain. *(Interjection)*

Deputy St Pier: A very fair point, I cannot comment further on that.

In relation to the rules and directives some of them have been updated since 2009 and that is an ongoing process. We certainly note Deputy Tindall's request that those be distributed as soon as possible. There are competing priorities on the staff that are required to do that work, but the point is noted.

Deputy Dudley-Owen, yes, I am absolutely happy to apologise on behalf of the Policy & Resources Committee to the States for that oversight in relation to the Proposition that is before you to approve the Accounts and the fact that it is, as she quite rightly says, and as I noted in my opening statement, effectively superfluous. I have no idea how many years this problem has not been spotted, probably quite a few since 1925. My guess is that in 1925 when that Resolution was passed the accounts were probably not actually audited and therefore there was no need for them to have been approved before the auditor signed off. Of course that is the position we are in now, there is no way that they can be signed off by the auditors until they have been approved by somebody. So I do take the point, it is an oversight, I do apologise, I have no idea how many years it has been going on, but it will be resolved I would suggest subject to the States' approval through the Budget Resolutions that I suggested.

Finally Deputy de Sausmarez, in relation to investment governance and policies. In fact a governance document was presented to the Investment and Bond Sub-Committee of Policy & Resources last week for consideration and in fact I deferred consideration of it because I felt it needed further time for us to allow that to happen. So that will come back to our next meeting later this month. I hope therefore it will be available shortly.

With that, sir, and subject to the points that I have made and that Deputy Dudley-Owen made about the Proposition, I do ask Members to support it, sir.

The Bailiff: Members there are three Propositions, the first is to approve the States of Guernsey Accounts 2017, and I have had a request for a recorded vote on this first Proposition.

So we will have a recorded vote on the Proposition to approve the States of Guernsey Accounts 2017.

The Deputy Greffier: The voting this session starts with the Castel.

There was a recorded vote.

Carried – Pour 37, Contre 0, Ne vote pas 1, Absent 2

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Graham	None	Deputy Dudley-Owen	Deputy Oliver
Deputy Green			Deputy Leadbeater
Deputy Paint			
Deputy Dorey			
Deputy Le Tocq			
Deputy Brouard			
Deputy Yerby			
Deputy De Lisle			
Deputy Langlois			
Deputy Soulsby			
Deputy de Sausmarez			
Deputy Roffey			
Deputy Prow			
Alderney Rep. Jean			
Alderney Rep. McKinley			
Deputy Ferbrache			
Deputy Kuttelwascher			
Deputy Tindall			
Deputy Brehaut			
Deputy Tooley			
Deputy Gollop			
Deputy Parkinson			
Deputy Lester Queripel			
Deputy Le Clerc			
Deputy Mooney			
Deputy Trott			
Deputy Le Pelley			
Deputy Merrett			
Deputy St Pier			
Deputy Stephens			
Deputy Meerveld			
Deputy Fallaize			
Deputy Inder			
Deputy Lowe			
Deputy Laurie Queripel			
Deputy Smithies			
Deputy Hansmann Rouxel			

The Bailiff: Members, the voting on Proposition 1 was: 37 in favour, no-one against, but 1 abstention. I declare the Proposition carried.

I will take Propositions 2 and 3 together. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare them carried.

That concludes this meeting. We resume tomorrow morning at 9.30 a.m. for tomorrow's meeting.

The Assembly adjourned at 12.53 p.m.