



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Wednesday, 15th January 2020

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Present:

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

Law Officers

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

People's Deputies

St Peter Port South

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

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,
T. J. Stephens, C. P. Meerveld

The Vale

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

The Castel

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

The West

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

The South-East

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

Representatives of the Island of Alderney

The Clerk to the States of Deliberation

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

Absent at the Evocation

Miss M. M. E. Pullum, Q.C. (H.M. Procureur); Deputy R. H. Tooley;
Alderney Representatives S. Roberts and A. Snowden (absent d'Ile); Deputies G A. St Pier and
L. S. Trott (relevé à 10h 42); Deputy M. P. Leadbeater (relevé à 11h 32)

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States of Deliberation

The States met at 9.30 a.m.

[THE BAILIFF *in the Chair*]

PRAYERS

The Greffier

EVOCATION

CONVOCATION

The Deputy Greffier: Billets d'État I and II, of 2020. 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 Courthouse on Wednesday, 15th January 2020, at 9.30 a.m. to consider the items listed in this Billet, which have been submitted for debate and Billet d'État II is convened, pursuant to Rule 2(4) of the Rules of Procedure.

In Memoriam –

Former Douzaine Representative Lloyd David Le Poidevin

The Bailiff: Members of the States, good morning to you all to this first meeting of 2020 – first meeting of the decade.

Sadly, we start by paying tribute to former St Saviour's Douzaine Representative Lloyd David Le Poidevin, who passed away on 30th December, aged 91, having been born in Guernsey on 4th September 1928.

While few of you may have known him as a former States' Member, more of you will have known Lloyd from his family business at the Perelle Bakery. Many of you, like me, will have enjoyed the gâche and the cakes that the family produced until the bakery sadly closed. Lloyd joined the business straight from school, during the Occupation, at a time when producing the vital bread that the bakery supplied became ever more difficult as supplies of flour and other essential ingredients diminished, for example salt had to be obtained by using sea water.

Lloyd loved baking all his life and continued to do so for family and friends until very recently. He was also, for many years, a judge of the baking classes at the local shows. He held parish office in St Saviour's for many years and sat in the States as its Douzaine Representative from July 1978, following a chain of appointments, which started with the resignation of my uncle, Edward Collas, as a Conseiller. St Saviour's Deputy Thomas Wise was elected Conseiller in his place and a St Saviour's by-election was run by Douzaine Representative Laurence Guille, resulting in Lloyd Le Poidevin being appointed a Douzaine Rep. That was in July 1978 and he served until March 1979, making this perhaps one of the shortest periods of States' service ever, before he decided that it was not really fitting in with his bakery business.

He was not elected to any States' Committees during his very brief time in the States, except for re-election as a Member and President of the St Saviour's Parochial Outdoor Assistance Board.

Lloyd Le Poidevin was a much-loved and well-respected Member of the St Saviour's community. He leaves a widow, Joyce, and their two children, Anne and Richard, who lives in Australia. We extend our sincere condolences to them all. Please rise to honour the memory of States' Member Lloyd Le Poidevin.

Members stood in silence

The Bailiff: Thank you very much.

Statements

POLICY & RESOURCES COMMITTEE

General Update – Statement by the Policy & Resources Committee

The Bailiff: We move on with the business of the day and the first is a general update Statement from the Policy & Resources Committee, but neither President nor Vice-President are able to be here due to travel difficulties overnight and early this morning, so Deputy Le Tocq will deliver the Statement on behalf of the Committee.

Deputy Le Tocq: Thank you, Mr Bailiff.

I am pleased to provide an update to the Assembly on behalf of the Policy & Resources Committee. The January 2020 Guernsey Economic and Financial Stability Overview published last week showed an overall picture of continuing modest increase in the size of the workforce and GDP growth, driven primarily by the finance sector and professional services, supported by a slight expansion in the population. The data shows that GDP continued to grow in real terms in 2018 by 1.7%. Secondary economic indicators such as employment and earnings suggest that GDP continued to grow in real terms through 2019, and estimates will be published in the summer.

This means that despite global uncertainty Guernsey is performing well, a performance built on foundations of stability, security and prudence. As the Assembly is aware, a significant amount of time and resources have been given during this political term to managing the potential impact of Brexit and seeking any opportunities that may arise.

The UK government policy continues to be that the UK will leave the EU on 31st January with the Withdrawal Agreement approved and it continues to work towards achieving that goal. A policy letter providing a detailed update on Brexit, outlining the next steps and their implications for Guernsey, will be debated later in this States' sitting as an additional item.

The timing of this is important as it enabled this Assembly to signify its views on the Withdrawal Agreement, which will directly impact on Guernsey's relationship with the EU, before it takes effect. Due to the hard work and diligence of many inside and outside of this Assembly, Guernsey can assess its post-Brexit future with optimism and confidence.

The next phase will be for the UK government to negotiate a future relationship with the EU on behalf of the entire British family, including Guernsey, with the aim of doing so before the end of the transition period on 31st December 2020. The Policy & Resources Committee has been working closely with the UK government to prepare for these negotiations and, as set out in the policy letter, stands ready for the next phase.

65 Given the tight timescale, it is envisaged that this process will be intensive and require the continued support of stakeholders both from within Government and wider industry. We have planned for this and will be putting the necessary governance framework in place to help manage our own negotiations which will take us through the General Election in June. This will be a challenging and difficult year as the negotiations progress.

70 In respect of air and sea links, as with Brexit, progress is being made but by necessity much of it is happening behind the scenes. Following the States' Resolution last spring, contingency work has been undertaken on Guernsey's sea links. A report has now been received from an independent expert, and an update will be provided to the Assembly in due course.

75 In the meantime the Policy & Resources Committee is optimistic that the confirmation of the new owners of Condor Ferries Ltd means that the Committee *for* Economic Development can now prioritise putting in place a service level agreement that will ensure that Islanders receive an enhanced service.

80 In respect of air links, the Policy & Resources Committee has received a recommendation from the Committee *for* Economic Development on the award of a public service obligation contract for the Guernsey-Alderney service and for the Patient Transfer Service. Officers are now assessing this recommendation and its likely cost, and how the interests of the Guernsey taxpayer can be protected. A policy letter will come to the Assembly by April, subject to ongoing work.

85 The Committee is also progressing the first stage of the review to develop a co-ordinated and coherent framework for the consideration of all aspects of air route operation that is under the control or influence of the States of Guernsey. High level recommendations will be brought to the Assembly in April, and subject to the direction of the States' further work will then be undertaken.

Over the course of this quarter the Committee will also bring policy letters to this Assembly on the review of the Population Management Law; the review of probate; the establishment of the social investment fund; the use of dormant bank accounts; and the review of *La Gazette Officielle*.

90 In addition, a policy letter and legislation in relation to the revision of Laws relating to the regulation of the finance sector will come to the Assembly in the first quarter of 2020. This will be a significant milestone for a hugely important project that will ensure Guernsey's finance sector and its regulatory framework is fit for the future and meets international standards. It will also give much-needed stability and certainty to the finance sector, which remains the engine of our economy, creating employment, prosperity and the revenue that funds public services.

95 Guernsey's international reputation is essential to our ability to remain home to an innovative and successful finance sector. Our reputation will be further strengthened this month by the publication of Guernsey's national risk assessment report in relation to anti-money laundering and combating the financing of terrorism. The national risk assessment is overseen jointly by the Committee *for* Home Affairs and the Policy & Resources Committee, given our mandates

100 I am pleased to say that the assessment recognises the excellent work done in Guernsey – by the States, by Law Enforcement, by the Law Officers, by the regulator and by individual businesses – on these critical issues and helps prioritise the areas to which we can deploy resources in the future.

105 This meeting of the Assembly sees us debating the Fiscal Framework, which is critical for the future economic and social wellbeing of our community and the way that we work as a Government. Also critical in this respect is the work being undertaken on terms and conditions in the public service.

110 When public service roles are reviewed on the basis of a job evaluation scheme, in some cases there are considerable differences in the value of the full packages offered by the States of Guernsey, despite the fact that it has been operating as a single employer since 2004.

115 One of the fundamental difficulties in bringing groups of public service workers together is linked to the historical structure of small teams built around political mandates. Consequently, current contractual terms have evolved over time, largely in isolation from one another, which has generated unnecessary complexity, ambiguity and inequality.

This has resulted in a myriad of terms and conditions of employment which is now restricting progress when the organisation needs to be more flexible to meet the modern demands of the community and to respond to the ageing demographic and reduction in workforce.

120 The Policy & Resources Committee has commissioned an independent review of the terms and conditions of all public service pay groups with a view to enabling harmonisation of employment policies, remuneration and benefits. The Policy & Resources Committee is considering the findings of this review and working through an options appraisal that it will bring to the States in due course.

125 The Committee has also been leading on work to consider potential States' involvement to enable the development of the Leale's Yard Regeneration Area. The President advised the Assembly in his Statement in September that the Committee had supported the Development & Planning Authority's request for additional funding to secure specialist expertise to help facilitate the preparation of the required Development Framework. The anticipated timeframe was dependent on securing the services of a firm with the appropriate capabilities, and the Committee
130 is satisfied that a specialist firm with significant relevant experience was appointed. There is a public drop-in tomorrow as part of the work to inform the draft Development Framework before it is published for public consultation.

The Committee has considered the responses to its consultation with committees identifying potential benefits of the development in accordance with the extant Resolution of the Assembly it
135 is working to discharge. The responses highlighted a consensus view on the importance of the Development Framework in informing a decision regarding potential States' involvement.

The Committee has therefore decided to hold further work in abeyance and defer the submission of recommendations to this Assembly until after the Development Framework may be considered but will provide a further update in April in its handover report forming part of the
140 Future Guernsey Plan update. The Development Framework is the next critical element of the process and was not taken into consideration when the original timetable was established in States' debate.

Sir, in closing I would like to reflect on the work of this Assembly under its new Rules to manage its strategic priorities. In April the Policy & Resources Committee will bring the final policy
145 letter reviewing the work of this Assembly. It was this Assembly that established the 20-year Future Guernsey Plan with high level outcomes monitored and benchmarked against the OECD Better Life Index. Last month we learnt that we are doing well but there are issues. To start considering how to address these the Policy & Resources Committee intends to bring an 'Improving Living Standards' policy letter to the States before debate of the Plan.

150 Thank you, sir.

The Bailiff: Before we move onto questions, those who wish to remove their jackets may do so. I just remind you that questions must not relate to any topic which is part of another item of business at this meeting.

155 Deputy Dudley-Owen.

Deputy Dudley-Owen: Thank you, sir.

I would like to thank Deputy Le Tocq for giving us the Statement today on behalf of P&R, presumably at reasonably short notice. My question relates to Brexit and Deputy Le Tocq
160 mentioned, during his Statement, the governance framework and I wonder if any further –

The Bailiff: Brexit is on the agenda. The Withdrawal Agreement is on the agenda.

Deputy Dudley-Owen: It was specifically in relation to the governance framework that he
165 mentioned in his Statement. Does that mean I am not allowed to ask the question?

The Bailiff: It is a curiosity of the Rules that the Statement can stray into matters, which are ... anyway, if it is going to be covered by the Withdrawal Agreement then –

170 **Deputy Dudley-Owen:** It is probably more relevant now.

The Bailiff: I think Deputy Le Tocq is indicating he is happy to answer.

175 **Deputy Le Tocq:** I am happy to try and answer it if I can.

The Bailiff: Go ahead, then, ask your question.

Deputy Dudley-Owen: Thank you. I am grateful for that. I am over your time limit now!

180 **The Bailiff:** But do not take this, everybody else, as an opportunity for you to all stray. We are going to run out of time in the Question Time later anyway, so let us move on.

Deputy Dudley-Owen: It is just for details, please, from Deputy Le Tocq, of what the governance framework might look like during the interregnum period of the election.
185 Thank you.

The Bailiff: Right, okay.

190 **Deputy Le Tocq:** Sir, I know that is under consideration at the moment, in terms of the actual people involved in that, particularly from a political angle. We have dealt with these things before and I am pretty certain that when we come to debate the Brexit policy letter greater detail can be put on that. But at the moment I would be confident that we have the ability to be able to continue through that time. As I said in the Statement, we are going to have to work very hard this year in order to keep up with a timetable set by others.

195 **The Bailiff:** Deputy Laurie Queripel.

Deputy Laurie Queripel: Thank you, sir.

200 Bearing in mind that another contract linked to a States' capital project has been awarded to an off-Island trader or supplier, and bearing in mind the obvious and various benefits in keeping work on-Island, and further bearing in mind that it seems marginal differences can decide where contracts are awarded, will Deputy Le Tocq give an undertaking it will raise the tendering and procurement process with the P&R Committee, with a view to looking at these issues and perhaps, further reasonably tweaking the policy?

205 Thank you, sir.

The Bailiff: Deputy Le Tocq.

210 **Deputy Le Tocq:** Deputy Laure Queripel can be assured that I have already asked questions and am investigating this and I am sure others, my colleagues, similarly, were concerned to discover that.

The Bailiff: Deputy Inder.

215 **Deputy Inder:** Sir, this was mentioned in Deputy Le Tocq's Statement – given the heavy workload that we have got to get through before the end of this term and one of those days being set aside for the handover reports, which in my view is an utter waste of time, would he agree with me, and possibly could he reflect, along with Policy & Resources and possibly SACC,

whether we do not actually get rid of that date and get on with some real work, attaching those reports to the websites and just getting on and finishing the job that we are supposed to be here to do?

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: I can give my personal opinion, which I think Deputy Inder already knows, in that I do agree with him, at least in part. I think the difficulty is and my experience in this Assembly over a number of terms is that when you create space, just like a verbal vacuum, other things come along and fill it. We are between a rock and a hard place in that respect.

The Bailiff: Deputy de Sausmarez.

Deputy de Sausmarez: Thank you, sir.

We previously heard assurances from Deputy St Pier that P&R is looking at developing a reporting framework for ESG factors, in terms of the investment principles. I was wondering if Deputy Le Tocq might be able to give us an update, please?

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: I am afraid I cannot do so right at this moment, but I undertake to come back with a detailed update on that in writing.

The Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, Mr Bailiff.

Deputy Le Tocq made mention of Condor Ferries and I just wanted to ask whether he was aware, I think it was on 19th December, the company filed accounts, or they did via PwC, that stated that the final beneficial owner is not the consortium of which we are aware? My question is are we aware of who the final beneficial owner is of Condor Ferries and what relevance it might have to future stability in that company.

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Deputy Kuttelwascher raises a very important question and the simple answer to that is, as far as I am aware, we are not aware of that but we certainly need to be aware of that. In terms of any future negotiations and due diligence in liaison with the Committee for Economic Development, we will need to make sure that that is the case before any service level agreement is decided.

The Bailiff: Deputy Meerveld.

Deputy Meerveld: Thank you, sir.

As the Alderney Representatives cannot be here until midday today, ironically because of a lack of flights, Representative Roberts has asked me to ask the following question on his behalf: in view of the shortfall of seats on the Alderney-Southampton air route and the unsustainable situation with only two available aircraft, can P&R inform us about any work, which has been commissioned or is being undertaken by Policy & Resources about the future air links to and from Alderney, which is delaying the conclusion of the PSO process?

Thank you, sir.

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Sir, I am not aware of that but in terms of the Statement that I made, ongoing work and consideration of the PSO agreement, which does not include that route, is continuing, but it may have implications on that and I encourage the Members present to wait until that comes before us in detail before jumping to any conclusions.

The Bailiff: Deputy Parkinson.

Deputy Parkinson: Sir, is Deputy Le Tocq aware that the sale of Condor Ferries is not yet complete, pending the receipt of regulatory approval?

Deputy Le Tocq: Sir I am, yes.

The Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, sir.

Following on from Deputy Inder's question and the answer given by Deputy Le Tocq, which I do recognise bearing in mind it used to be 57 of us, we were two days, once a month, once a month, from 10 a.m.-5 p.m. and now 38 of us take a lot longer, but bearing all that in mind, could he give serious consideration for ceasing the handover reports being part of a Billet and consider them being attached, so that if anybody wants to do that they have got that option to do that. But to stand in the States for a day or days, talking about a handover report, which you can do nothing about whatsoever, is an absolute complete waste of States' Members' time.

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: It is true to say, and Deputy Lowe is slightly longer in the tooth than me in this Assembly, that in the past such handover reports were not debated, they were passed on from committee to committee. I certainly give an undertaking to raise the matter with P&R and it would fall, I think, not only with P&R but with regard to SACC.

The Bailiff: Deputy Graham.

Deputy Graham: Thank you, sir.

Deputy Le Tocq commented on the difficulties posed by the plethora of different terms and conditions enjoyed by employees of the States. Can he assure the Assembly that there are specific workstreams out there adequately focussed and adequately resourced to tackle this problem? I will give you an example, the difference in terms and conditions between the Border Agency and the Police Service, I think is a major inhibition to getting the maximum efficiency out of them. Could he comment on any workstream?

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Yes, there are a number. I think when the report comes to the States, we will certainly be looking at a faith approach to this, maybe group by group where it is appropriate, because it is very complicated. As Deputy Graham has mentioned, the reason that we have totally different allowances and terms and conditions for Border Agency staff and Police is that they have largely cut and pasted, over decades, from the UK, and not thought about the fact that they are working very closely together in a very small environment here in Guernsey.

Getting to the place where we can harmonise that is not going to be easy. But it is not impossible. Similarly, with regard to works that are done by teams, more and more increasingly across the States, where you get different skill sets, different jobs, having to work together today,

in partnership, there is a great disparity between certain terms and conditions, We will need to make sure that all of those are covered and, as I say, very likely in a phased approach.

325 **The Bailiff:** Deputy Oliver.

Deputy Oliver: Thank you, sir.

 Would you be so kind enough to say, with the public sector review and the terms and conditions, will this be required before the nurses' pay is actually sorted out?

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The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: I will be as kind as I possibly can. Certainly I, personally, and the P&R Committee thoroughly support and recognise and respect the great work that nurses do; in fact all on Agenda for Change pay and conditions. It is complicated and we are committed to make their terms and conditions more equitable as we go forward.

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 However the current dispute, which is with the industrial disputes officer, is not dependent on this Assembly coming to an agreement on how to harmonise pay and conditions. That will take a little longer than that. We want the industrial disputes officer to help us, through his legislative powers, to come to an agreed settlement for 2019 for Agenda for Change staff.

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The Bailiff: Deputy Gollop.

Deputy Gollop: In the beginning of the Statement Deputy Le Tocq alluded to population growth being real but modest and, later on, promised in the last few weeks of this States, a delayed population report to appear. Have Policy & Resources done any economic analysis to indicate why our population has been relatively static in recent years, compared to our sister Island, Jersey, which has been booming and whether that has any implications for our fiscal position?

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The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Well sir, yes and no is the answer to that. I think as well it is pretty obvious Jersey has other problems brought about by its booming population. I would not, even though I am in favour of modest population growth, recommend the sort of degree of increase that we have seen in our sister Island here. I think the situation we have got, which is now more manageable and, as this Assembly will see when the joint policy letter is brought forward on population management, I think we can manage that and continue to see the growth in our economy happen at a controlled and effective way that benefits all in society.

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The Bailiff: Deputy Ferbrache.

Deputy Ferbrache: Sir, noting the qualification in Deputy Le Tocq's opening Statement about the PSO re Alderney, and the subsequent answer he gave to a questioner, is he saying that there is a risk that the report moving forward by P&R on PSO might be delayed beyond April and, if so, is that likely to be September? Is he also saying that it will not include Alderney and Southampton?

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Deputy Le Tocq: Sir, in answer to that, we are doing our utmost. Certainly, our intention is fully to bring this report to the Assembly this side of the election and the options have been scoped out and we are at a stage where P&R, as a Committee, will have to make its decision on recommendations to bring to this Assembly very soon. The view of P&R, with regard to the Alderney-Southampton route is that it is not a lifeline route. It is a matter, therefore, for the

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Alderney States, if they wish to support such a route, or indeed any other route, they are fully free to do so.

The Bailiff: Deputy Roffey.

Deputy Roffey: Thank you, sir.

Deputy Le Tocq referred to the very much delayed joint report on reviewing the population control regime. Can he advise the Assembly of when he now expects that to come to the Assembly?

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Very soon, sir. I think it is going to be launched in the next few days.

The Bailiff: Deputy Merrett.

Deputy Merrett: Thank you, sir.

I thank Deputy Le Tocq for the update and it would be helpful actually if maybe that could be sent to all Members. I just want to have clarity, I would like to ask Deputy Le Tocq if he is advising us that there will be nothing coming to this Assembly regarding Leale's Yard until the next political term?

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: That is not exactly what I said, so no. I think, with regard to Leale's Yard, what I said was there is a delay to the timeframe that was agreed by this Assembly because Policy & Resources had decided to support the Development & Planning Authority's request to bring forward, sorry, to have a development framework. In order for that to take place, the right capabilities needed to be present, so hence the delay. But that is not the reason for delaying this Assembly being presented with Propositions.

The Bailiff: Deputy Dorey.

Deputy Dorey: Thank you, Mr Bailiff.

I was a Member of the cross-Committee group, as a Member of E&I, looking at the review of the Population Law. It last met nearly a year ago. I just wondered why there was a delay in this report coming to the States, particularly as there is so much business in the last few months of this term.

A Member: Brexit.

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: I think, sir, there are a number of reasons for that. The Committee *for* Home Affairs was not absolutely happy with the results of the working group. Then the membership of Home Affairs changed and they had to reconsider it. Certainly, as far as P&R is concerned, it has been prepared to move forward but we have had to work together with the Committee *for* Home Affairs on this and we have only recently come to an agreement as to how to move forward.

The Bailiff: Deputy Tindall.

Deputy Tindall: Thank you, sir.

Will Deputy Le Tocq agree with me that the DPA did not request a delay in the review of Leale's Yard? We requested funding for the Development Framework, as we did not have that funding, and it was P&R's unilateral decision to delay what they intended to do under the IDP Requête, although, to be fair, the DPA do feel that is a sensible approach.

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Sir, that is not quite how I understand it to have happened, but I accept the fact that P&R agreed to fund the DPA. But as a result of that, in order to make the best use of that funding, a delay was required.

The Bailiff: Deputy de Lisle has the last question.

Deputy de Lisle: Thank you, sir.

Given the global uncertainty that has been referred to and the very slow or moderate income GDP growth in this economy, will P&R lighten the tax load on the public and pull back from some of the measures imposed on the public in terms of TRP, particularly, to foster growth particularly in terms of consumer purchasing, sir?

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Sir, P&R can only operate within the limitations set by this Assembly and, if Deputy de Lisle and other Deputies wish to restrict additional taxation, then we need to seriously consider cutting services. That is the only way in which we can effectively do that. We have got a debate coming up later on the agenda, where he will be able to give his opinion as to how that should happen. But we cannot give an undertaking on that matter, because we have made it very clear, in the policy letter put before the States later in this debate, that we cannot continue as we are, with increasing demands on the public purse, without extra income from somewhere.

The Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, sir.

I just wanted to correct what Deputy Le Tocq said about the population management review report because he implied there had been a hold up by Home Affairs. There has been no hold up by Home Affairs. It was nothing to do with the change of membership. From my understanding, we fed back quite some time ago only two areas where there was a slight disagreement and the information we had at staff level was P&R had agreed with that and we were waiting for the report and we have asked for it since. So would he agree that perhaps he has not been updated with what actually happened many months ago?

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Sir, I was trying to be kind to the President of the Committee *for* Home Affairs. No, I do not agree with that. There was a subcommittee, which had two members of her Committee, with myself and Deputy St Pier and Deputy Dorey on. That came to an agreement, which P&R agreed with, including the two members of her Committee. When it went back to her Committee, her Committee chose not to agree with the recommendations of that sub-group.

The Bailiff: Deputy Merrett.

Deputy Merrett: Thank you, sir.

I believe very much in deliberate, debate, determine and deliver and whereas the ping-pong between certain Members is quite amusing this morning, what I would like to know, my memory, my question for Deputy Le Tocq is this, we determined in this Assembly there would be something delivered from P&R, regarding Leale's Yard, in April of this year. If that is not achievable, when would it come back to the Assembly because, realistically, sir, we only have May and June? So if it is not going to be April, when will it be, please, sir?

Deputy Le Tocq: I cannot give that undertaking at the moment, sir.

The Bailiff: Deputy Gollop, and this is likely to be the last question.

Deputy Gollop: Mine was following-up Deputy Merrett's question and it is simply this, that given the fact that our last publication of States' Reports will surely be March and we are having this consultation day tomorrow, the DPA are doing, I think, the Church on the Rock in the afternoon, and also the development framework will take some time to complete, shouldn't Policy & Resources currently therefore suspend work on this as being a useless attempt to bind its successor?

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: These are undertakings this Assembly have agreed to work, so Policy & Resources have to work within those contingencies that are set by other Committees and we have agreed the development framework has to happen. As to how long that takes and whether we can speed up the process, that is not a matter for Policy & Resources, effectively.

The Bailiff: Well the 10 minutes have lapsed, so we will move onto Question Time.

Questions for Oral Answer

COMMITTEE FOR ECONOMIC DEVELOPMENT

Urgent Question – Potential loss of Flybe services

The Bailiff: We have a lot of questions, so I just warn Members in advance that I will be strict with the time limits. Questions must be asked within one minute and the answers must be delivered in a minute and a half.

The first question is, under Rule 12, an urgent question – it was urgent at the time – Deputy Tindall to the President of the Committee *for* Economic Development.

Deputy Tindall: Thank you, sir.

With the second announcement within a year that Flybe are in crisis talks in an attempt to put together a rescue deal, please can the President of the Committee *for* Economic Development confirm what discussions have been had with other airlines to ascertain if they will cover the routes that would be lost if Flybe ceases trading?

The Bailiff: Deputy Parkinson.

Deputy Parkinson: Sir, the Committee *for* Economic Development notes that, following the media reports on Flybe this week, it has been reported that a rescue deal has now been agreed by the airline, its shareholders and the UK government. Clearly, this is good news for Flybe's passengers and its staff. The Committee also notes that the UK government will conduct an urgent review that will seek to assess how it can improve regional connectivity and ensure airports continue to function across the country.

Flybe operates two triangular scheduled services, between Exeter, Jersey and Guernsey, and between Birmingham, Jersey and Guernsey, and the London Heathrow service, which currently is only scheduled to operate until 28th March, due to a lack of landing slot availability at Heathrow Airport.

The all-year-round Southampton, Jersey, Southend, Liverpool and Newquay services marketed under the Flybe brand are operated by Flybe's franchise partner Blue Islands. The Committee has been in dialogue with Flybe Virgin Connect this week and I will be meeting with the CEO of Virgin Connect next week.

The Bailiff: Are there any supplementary questions? Deputy Tindall.

Deputy Tindall: Thank you, sir.

Whilst Members will all be delighted Flybe has been saved this time, this situation could so easily happen again, so could the President provide assurances to the Assembly, the wider travelling public and in particular those who travel using Flybe for medical appointments, by actually answering my question – what discussions have been had with other airlines to ascertain if they will cover the routes that will be lost if Flybe ceases trading?

The Bailiff: Deputy Parkinson.

Deputy Parkinson: Well, sir, medical appointments are carried on Blue Islands, which is unaffected by any problems that Flybe have. Blue Islands does use the Flybe reservations system

but have maintained their own independent reservations system in case they need to revive that system. So they are independent of Flybe and medical appointments are unaffected by this issue.

550 Nevertheless, we had discussions with Blue Islands and with Aurigny during the period of uncertainty over Flybe's future and they reassured us that they would be able to cover the Exeter and Birmingham routes, which are operated by Flybe. They would not be allowed to operate on the Heathrow route, which is subject to different arrangements.

The Bailiff: Deputy Tindall, another supplementary question?

555 **Deputy Tindall:** Yes, please. The President notes that the UK government will conduct an urgent review that will seek to assess how it can improve regional connectivity and ensure airports continue to function across the country. This review includes the potential to cut Air Passenger Duty for domestic flights. Will the President please confirm that his Committee will be liaising with P&R and E&I to present arguments to the UK government to get the best social, economic, and
560 environmental outcome for Guernsey in this review?

The Bailiff: Deputy Parkinson.

565 **Deputy Parkinson:** Sir, I am very encouraged by the UK review of regional connectivity because I think there is a possibility that Guernsey passengers may be able to benefit from the outcome of that review. We will obviously do everything we can. International relationships are not within our mandate but we will do everything we can to ensure that Guernsey's interests are taken into consideration in that review.

570 **The Bailiff:** Deputy Gollop.

Deputy Gollop: Thank you, sir.

I am actually a supporter of Economic Development's initiative in strengthening connectivity via the London Heathrow link but that makes me ask, is it not the case that Flybe and its
575 ownership partners effectively control the slots and Guernsey needs to ensure, where possible, that we have access to slots to key airports beyond Gatwick. Has the President a view or policy on this issue?

The Bailiff: Deputy Parkinson.

580 **Deputy Parkinson:** Personally, sir, I share Deputy Gollop's view that it would be very attractive for Guernsey to own, through Aurigny, presumably, slots at Heathrow Airport. But they are like the proverbial hen's teeth and they are very expensive when they do become available. None has been offered and I am not aware of any that are available at this present time, so it is not an issue
585 that the States can concern itself with.

The Bailiff: Deputy Roffey.

590 **Deputy Roffey:** Can I ask the President if he is aware of the UK's definition of domestic, when they are looking, as part of the rescue package, to review domestic passenger duty, because it could be open to interpretation whether it is within the UK or within the family of islands that make up the British Isles? I do not expect him necessarily to know this but I would be interested, because I am sure they have been making some inquiries over the last 24 hours.

595 **Deputy Parkinson:** We do not know that, sir. The news that Flybe is being rescued by its shareholders and with the co-operation of the UK government has come to us, as to other Members from statements made by Members of the UK government. They have not sought, in

those statements, to give clarity as to what they mean by regional connectivity but, as I have said earlier, Guernsey will do everything in its power to ensure that the interests of Guernsey are taken into consideration in that review.

The Bailiff: Deputy Le Clerc.

Deputy Le Clerc: Sir, I am not sure if this question goes beyond what I am allowed to ask but I just wondered if we have paid the subsidy to Flybe on the Heathrow route up front or it is on an ongoing basis and if Flybe do go into liquidation or bankruptcy, would we have lost that money on the subsidy?

The Bailiff: Deputy Parkinson.

Deputy Parkinson: The answer to that, sir, is we pay the subsidy monthly, up to 28th March, when the agreement runs. Therefore we have not at this point paid the subsidies for February or March. If Flybe had gone out of business this week, what would have been at risk for the States of Guernsey would have been the subsidy for the rest of January.

The Bailiff: Deputy Soulsby.

Deputy Soulsby: Sir, we understand part of the problem for Flybe has been back payment due on passenger duty in the UK. Are we aware of any problems in terms of payment of the equivalent in Guernsey by Flybe?

The Bailiff: Deputy Parkinson.

Deputy Parkinson: Sir, that question would have to be addressed to the President of the States' Trading Supervisory Board. I am not aware, personally of any problems with Flybe paying landing fees in Guernsey.

The Bailiff: Deputy de Lisle.

Deputy de Lisle: Sir, I note that some cities in the UK are eliminating air passenger duty in order to foster economic development in their communities. I am just wondering whether, in fact, Guernsey could do more in order to lower or eliminate Air Passenger Duty in order to foster economic development in this community?

The Bailiff: Deputy Parkinson.

Deputy Parkinson: Sir, I do not think it is within the power of any city in the UK to abolish Air Passenger Duty, which is a national tax. It is possible that local governments in the UK – well it is not possible, it is certain – are subsidising various services to improve connectivity to their regions. I mentioned in a recent States' meeting that Newquay subsidise a route from Newquay to Heathrow, operated by Flybe.

Guernsey could, of course, reduce airport charges, including landing fees, to encourage greater connectivity. The effect of that would be that the Airport, which basically breaks even at the present time, would lose money and that is a matter that the STSB would have to consider and if it wished to bring proposals on that, presumably with the approval of P&R, then it would do so.

COMMITTEE FOR EDUCATION, SPORT & CULTURE

**School transformation plans –
Changes made in response to teaching staff, union and Douzaine concerns;
extended programme of consultation**

The Bailiff: I see no one else rising, we will move onto other Questions and before we move onto the next Questions, which concern the proposals for the schools, I have been asked to say, on behalf of the Development & Planning Authority, that as there are extant planning applications
650 for the redevelopment of the high school sites that will be considered by the DPA at an open planning meeting, a majority of the DPA will not be participating in or commenting on matters relating to those applications in advance of their formal consideration, including in respect of Rule 11 questions today.

The first Questions are to be asked by Deputy Dudley-Owen of the President of the Committee
655 for Education, Sport & Culture.

Deputy Dudley-Owen: Thank you, sir.

In light of the results of the surveys released by teaching unions in November 2019, which found that 'over three quarters of teachers do not agree with the current plans for school
660 transformation', can the Committee for Education Sport and Culture (ESC) provide details of what tangible and substantive changes have been made, if any, to their one-school-on-two-sites building designs and also to the Outline Business Case, in response to union concerns?

The Bailiff: Deputy Fallaize will reply.

Deputy Fallaize: Thank you, sir.

Discussions with teachers are ongoing and changes are being made in relation to how best to use the space within the Colleges. The footprint of the buildings is not going to be enlarged beyond the extensions already approved by the States. Floor space at the Colleges will be
670 substantially in excess of national space standards. For example, classrooms will be larger, despite maintaining the current policy of smaller average class sizes of 24; there will be more space for special educational needs, more space for department staff teams and presentation suites for 140 people.

The space standards being used are not unique to the one school/two colleges model, nor to the sites selected for them. They will be applied to other models and other sites. They are the maximum space standards the States have been prepared to support, after multiple failed
675 attempts by successive Committees to persuade the States to spend more money building secondary schools with more space than can reasonably be justified.

These previous attempts may have been considered glorious defeat, but the consequences
680 have been hundreds of students educated in wholly inadequate buildings and vast inequality of facilities and opportunities between schools, based on nothing more than where in the Island the student lives. The States have approved the budget limits for the extensions. The Committee makes no apology for submitting plans which reach those limits. But we cannot go beyond them and spend more money than the States have authorised.

The Bailiff: Are there any supplementary questions? Deputy Dudley-Owen.

Deputy Dudley-Owen: Sir, the President stated that the footprint of the buildings is not going to be enlarged beyond the extensions already approved by the States. Can the President confirm
690 that, regardless of any legitimate concerns expressed by the unions, of overcrowding and lack of facilities, the Committee has no intention of increasing the footprint of the buildings to address them?

The Bailiff: Deputy Fallaize.

695 **Deputy Fallaize:** Sir, it is not a question of what the Committee's intentions are, it is a question
of what the States' Resolution is and the States have resolved the budget limit. Now we have
made it very clear to the Policy & Resources Committee that in the submission of business cases,
we will be submitting business cases, which take us very close to the limit of the budget
authorised by the States because we want to provide the best possible facilities and we will
700 provide the best possible facilities and high quality facilities for all students. Much higher quality
facilities than many students have access to today.

However, we cannot exceed the authorised budget of the States. If the States want to provide
tens of millions of pounds more for school redevelopments, then the size of the buildings can be
adjusted accordingly but I think I have participated in four debates over two States' terms, where
705 the States have rejected proposals for buildings with a footprint larger than can reasonably be
justified and there is no point in continuing to go down that course, because the consequence is
you just have students in the wholly inadequate facilities which exist at the present time and we
have to get beyond that.

710 **The Bailiff:** Deputy Gollop.

Deputy Gollop: My supplementary is that, given the fact that larger school buildings and
facilities would be desirable, both for the teaching profession and perhaps from Planning and
definitely from an education perspective, wouldn't the President agree that he should consider
715 either bringing a report to the States asking for improved facilities and budgets or deciding to
change a strategy and introduce a third site to the arrangements to ensure the transformation
works to maximum potential?

720 **The Bailiff:** Deputy Fallaize.

Deputy Fallaize: Sir, the potential of the changes will be realised in the buildings, which will be
delivered within the authorised budget of the States. In relation to other models, which Deputy
Gollop talks about, the States have consistently rejected other models, based on four schools,
725 based on three schools. Not just one States, but successive States. The only model of non-
selective education, which has been approved by the States, is the model which we are now
implementing. It was approved in January 2018 –

Deputy Meerveld: Point of correction, sir.

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The Bailiff: We do not have asserting a point of correction on Question Time.

Deputy Fallaize: It was approved again in September 2019 and the best way that we can get
facilities of the highest standard to all secondary school students in the Island and the way that
735 we can deliver the maximum possible educational benefits within the budget the States are
prepared to spend is to get on and deliver the project as soon as possible, in line with two sets of
States' Resolutions and that is what we are doing.

Several Members: Hear, hear.

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The Bailiff: Deputy Hansmann Rouxel.

Deputy Hansmann Rouxel: Thank you, sir.

745 The original question referenced the perception of overcrowding, a change in the size of schools. My question is what has been done to address those concerns or that perception of overcrowding, because that is a very real concern that is bubbling over from the public and the unions?

The Bailiff: Deputy Fallaize.

750 **Deputy Fallaize:** This is a difficult position because clearly there is a large part of the teaching profession who would like the school buildings to be as large as possible and we are operating, at the moment, in at least some secondary school buildings, which are significantly under capacity and previous Committees, going back some years, many years, have tried to get through the States redeveloped buildings, which are substantially larger than are necessary.

755 So that has been the starting point and to some extent that is the expectation of the teachers. But there is not going to be overcrowding in the buildings. As I have already explained, the buildings, which can be delivered to the budget authorised by the States, are significantly in advance of national space standards.

760 If they were being built to national space standards, the budget would be in the region of £40 million, the construction budget element approved by the States is more than £60 million. The difference represents additional space on top of national space standards. There is very adequate space in the schools. The school leavers are comfortable with it. We do have a significant task of communicating that but we are not going to get to a position where all teachers and all members of the public are satisfied with the model that is being implemented because there are so many different permutations –

The Bailiff: Your minute-and-a-half is up. Next question please. Deputy Meerveld.

770 **Deputy Meerveld:** Thank you, sir.

I believe that Deputy Fallaize's previous statement is misleading the States and the public listening at home. Would he deny that in March 2016, the previous Assembly approved proceeding with a three-schools, non-selective model; that, again, in November 2016, this Assembly approved proceeding with a three-school, non-selective model and it was only when that model was brought back to the States in full detail, curriculum models, approved plans from the DPA, ready to proceed with construction, full transition models, full curriculum models, etc., was that overturned by the concept of two schools, of which we are only seeing the details now?

Thank you, sir.

780 **The Bailiff:** Deputy Fallaize.

Deputy Fallaize: No. There have been States' Resolutions, which have directed previous Committees to return to the States with models based on certain numbers of schools. But every time a Committee has come to the States with the worked-up models, either under four schools or three schools, they have been rejected by the States.

785 The only model, which has consistently been approved by the States, I know Deputy Meerveld does not agree with it, I respect that – but it does not change the fact, as I have said before many times, he is entitled to his own opinions but he is not entitled to his own facts – is one school operating in two colleges, both 11-18 provision at Les Beaucamps and St Sampson's.

790 **The Bailiff:** Deputy Inder.

Deputy Inder: Sir, I am intrigued and I have said this before in the last debates regarding the final approval for the two schools: how have we got to a point where the original excitement over the three schools into two schools, generated by the Committee –?

The Bailiff: Is this a supplementary arising out of the Answer given?

Deputy Inder: Probably not, sir. I will sit down.

800 **The Bailiff:** Are there any other? Deputy Lester Queripel.

Deputy Lester Queripel: Sir, Deputy Fallaize just said in response to a question that the Committee will have a significant task ahead of them in communicating with the community. Even though I am totally opposed to the one-school/two-college model, I commend the Committee for
805 their efforts in pursuing what the majority of this Assembly asked them to do.

However, I am concerned about the levels of communication coming from the Committee to the community. Deputy Fallaize said himself recently in the media that the Committee do need to improve their levels of communication, so can he tell me please what measures the Committee are introducing to improve their means of communication?

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The Bailiff: This is a supplementary on a supplementary, I think.

Deputy Fallaize: It is also covered in an Answer to a later Question. But I do not mind, I will answer it if you want me to, sir?

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The Bailiff: If it is covered in a later question, let us move on, because we are not going to have time to cover all the Questions. We are already nearly half-way through Question Time and we have barely scratched the surface. We are about a third of the way through Question Time. So no further supplementary questions. Deputy Dudley-Owen will ask her next Question.

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Deputy Dudley-Owen: In light of the results of the surveys released by teaching unions in November 2019, which found that 'with more than four out of five disagreeing with one school on two sites', can the Committee for ESC provide details of what tangible and substantive changes have been made, if any, to their one school on two sites organisational structure, implementation plans and also to the Outline Business Case, in response to union concerns?

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The Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

830 Understandably, there is a desire for more certainty about job roles and about the operation of the two colleges. These are largely temporary challenges of managing change and are not unique to this model. Senior officers, school leaders and teachers' representatives are working at pace to provide teachers with greater certainty about the staff structure and how they will transition to new job roles. Union representatives for teachers and support staff are fully involved in this work
835 and so there are well-established routes for all staff in schools to make their views known through their representatives.

Deputy Dudley-Owen refers to implementation plans. The transition model for students, i.e. which school each student will attend in which year, was published 16 months ago. The principals appointed to the two colleges are the head teachers of the two schools currently on the sites where there will not be secondary education in the future.

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The small proportion of students who will transition to the new college sites from their existing sites will be following their current head teachers, who are working with the executive head teacher to ensure these changes are managed successfully. The transition model for staff is subject to the work going on between senior officers, school leaders and unions and the job guarantee, which the Committee provided to all teachers in 2018, remains firm. The Outline Business Case cannot deviate from the one school and two 11-18 colleges model because that is
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the model approved by the States in January 2018 and again in September 2019 and that is the model my Committee is introducing, as directed by the States.

850 **The Bailiff:** Supplementaries, Deputy Dudley-Owen.

Deputy Dudley-Owen: Thank you, sir.

I thank the President for his response but he has not answered the question. Quoting information directly from the NASUWT:

... 88% of teachers surveyed thinking the States did not have the right approach to education and the union is disappointed around the lack of details in key areas, particularly around the staffing models and structures for the two colleges.

855 Will the President be changing the management structure of one school and two sites, in response to the grave concerns expressed by the unions?

The Bailiff: Deputy Fallaize.

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

The reason I did not answer the Question that Deputy Dudley-Owen has just asked is because that was not the question she originally asked. She makes a fair point about management structures and staff concerns and the representations that staff have made. But she characterises it in terms of the need to make a change.

865 There is no staffing structure. Her Question implies as if a staffing structure is being imposed. What is actually happening is there are ongoing discussions between the school leaders, the senior officers and the union representatives about the future staff structure to very considerable, granular levels of detail. Down to individual job roles in the future structure.

870 Once there is clarity around that, then there will be a period of consultation with the whole of the teaching profession about the future staffing structure and then decisions subsequent to the consultation period will be made about exactly what the staffing structure is. So there is no need to make any changes because it is still subject to discussion between the school leaders, the senior officers and the teachers' representatives.

875 **The Bailiff:** Deputy Laurie Queripel.

Deputy Laurie Queripel: Thank you, sir.

I want to ask Deputy Fallaize if he and his Committee were surprised at the results of the union survey and, if so, why and did ESC not look to ascertain the views of teachers at a very early stage?

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The Bailiff: Deputy Fallaize.

885 **Deputy Fallaize:** No, I was not surprised by the results of the union surveys and the reason is twofold. One is because, as I have said and has been highlighted by the other Deputy Queripel's question, if I can call him that, our level of communication with all stakeholders has not been adequate. That clearly has affected stakeholder opinion. Also, I think at the core of this is there is uncertainty in the profession because until all teachers know exactly what their roles will be, although they have this job guarantee, there will continue to be a period of uncertainty and anxiety.

890 On top of that, some teachers have been used to operating in schools, which are operating significantly under capacity, and therefore certain expectations of space have been built up which cannot possibly be met within the authorised budget of the States. On top of that, there are a range of views about the right model for education in the profession as there are in the public.

If you have got a dozen or more different ways of organising secondary education, it is highly unlikely that you will ever get a group of people to coalesce around support for one particular model. That has been the experience of the States. So I do not think that the results were a surprise, but clearly we have to work very closely with teachers and other key stakeholders to ensure that levels of confidence (**The Bailiff:** Time is up.) increase in the months ahead.

The Bailiff: Any further supplementaries? No. Your third Question, then, Deputy Dudley-Owen.

Deputy Dudley-Owen: Will ESC be introducing an extended programme of consultation with the unions and all teachers to address all the concerns raised and if so exactly what consultation is envisaged?

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

This Question seems to imply there has been, or is currently, no consultation with teachers and their unions. Of course, this is not the case. Significant consultation has been ongoing for many months. There is a staff engagement group, which meets every two weeks.

The plans for the two 11-18 colleges have been developed with valuable input from teachers and other staff in schools. More recently, the Committee has held drop-in sessions for teachers in all secondary schools and meetings have been held between officers and teachers to discuss various specific requests for change. For example, in staff work bases, library space and science labs and changes are indeed being made.

These discussions will continue. However, I have been very clear in acknowledging the need to improve communications between the Committee and key stakeholders, including teachers and parents. The Committee is working with the States' communications team to make such improvements to the greatest extent possible within the very limited resources which the States currently seem prepared to invest in communications and engagement.

The Bailiff: No supplementary questions? Oh, yes. Deputy Meerveld.

Deputy Meerveld: Thank you, sir.

The President has already stated there will be no changes to the footprints of the buildings or the one-school-on-two-sites management structure, despite objections raised by the unions. If neither footprint of the buildings is being enlarged to prevent overcrowding and increased facilities, nor will the management structure be changed to improve operations, what substantial changes will be made to address these issues?

The Bailiff: I do not think that arises from the Answer just given.

Deputy Fallaize: I am happy to answer it, sir.

Deputy Meerveld just said something which was the opposite of what I had said a few minutes ago. He said that I said there would be no change in the management structure. What I actually said was there was no agreed management structure now and it is subject to ongoing discussions between school leaders, senior officers and teachers' representatives and then there will be a period of consultation with teachers themselves.

So there is a lot of scope for the future management structure to take on board any concerns raised by teachers. There will not be any change to the footprint of the buildings because we already are going to the limit of the budget authorised by the States and we cannot demonstrate value for money for the taxpayer if we try to erect school buildings which go not just beyond national space standards but beyond the significant additional space, which we have already

945 added, and has been approved within the budget authorised by the States, on top of national space standards.

The Bailiff: Deputy Gollop.

950 **Deputy Gollop:** Sir, whilst it is gratifying to hear consultation has happened and indeed, as some of us heard, more specifically in terms of SEND, special educational development or needs and education and communication needs, has that consultation referred to been carried out in depth with unions and associations of teachers and professionals who are focussed particularly on autism, ADHD and other education and learning needs required for the new facilities?

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The Bailiff: Deputy Fallaize.

Deputy Fallaize: The simple answer to Deputy Gollop's question, which is a fair challenge, is yes and the Committee was discussing this issue only yesterday. We are talking about the configuration of internal space now and there is a lot of reasonable scope for that to be modified. There is certainly going to be more space for children with communication and autism challenges and special educational needs and disability challenges than there is at the present time. There will be more space in both of the college sites.

960 The space has been planned in conjunction with professionals who work in this area but the final plans for the use of this space have not yet been agreed. We have a meeting with the Policy & Resources Committee, specifically about CAT and SEND space, which again goes beyond national space standards, in the next few weeks, and the final plans for CAT and SEND space and how it will be used and exactly where it will be in the internal space layout will be made in the next few weeks.

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The Bailiff: Deputy Merrett.

Deputy Merrett: Thank you, sir.

I wonder if the President would agree with me and a quote attributed to Socrates that:

The secret of change is not to focus your energy on fighting the old.

975 Whether that is old space standards, or old curriculums, let us actually use that energy on building the new.

The Bailiff: Deputy Fallaize.

980 **Deputy Fallaize:** I admired Socrates. I thought he was Brazil's best midfielder in the 1982 and 1986 World Cups!

985 Yes, of course I do agree with Deputy Merrett. I have to say, and I made this point at meetings with Douzeniers we have had in recent evenings, I do think it is reasonable for States' Members, whether they approved or did not approve of the changes which are being implemented, to continue to challenge and to continue to scrutinise and to continue to hold to account. Also, if they disagree, to continue putting their views very sincerely.

990 I do however think there comes a time when one has to accept, as in the Brexit debate, that decisions have been made and you have to move beyond the time where you can debate and revisit and into the delivery phase. Because there is a cost to continual debate, there is a cost to continual delay and at the moment we are actually stuck in a school model which almost by common consent cannot provide the best we know we can provide for our students because in a non-selective system the schools are too small to provide breadth of curriculum and the

opportunities that we need to provide. If we just keep delaying and revisiting and fighting the old battles of yesterday, we will keep the students stuck in that unsatisfactory model, possibly forever.

The Bailiff: Before I call the next Question, Deputies St Pier and Trott, do you wish to relevéd?

Deputy St Pier: Yes please, sir.

Deputy Trott: I cannot thank you enough, sir.

The Bailiff: Thank you. Deputy Laurie Queripel, is this a supplementary arising from the Answer?

Deputy Laurie Queripel: I think it is, sir, yes.

Deputy Fallaize has said that further consultation and dialogue will take place, in his answer, which is clearly a good thing. But what will happen even after that if a large number of teachers indicate that they are not prepared to work within the States-approved model? That is not a likely thing but it is perhaps possible and there must be some consideration of that scenario, if it does occur.

Thank you, sir.

The Bailiff: Deputy Fallaize.

Deputy Fallaize: That certainly is not what has happened. What teachers have said is that they are concerned, they want to get certainty around their jobs as quickly as possible and that there are some concerns about the footprint of the buildings. They have not said that they are not prepared to work in the new model.

But ultimately, I think the simple answer to Deputy Queripel's question is that if the States have reached a position where they are not prepared to make any changes in education unless 51% of teachers say, 'Yes, we approve of those changes'; or are not prepared to make changes in the health services unless 51% of the people who work in it say, 'We are happy with those changes,' then we are simply devolving the decisions which we have been elected to make to the professions and the workforce.

That is a way of governing. I do not think it is a very sensible way of governing, but if the States have reached that position then they could do that if they wish. I do not think we will get to a stage where a majority of teachers or a majority of the public or a majority of any other group coalesce around one particular model of education, because there are so many different permutations and it is an issue which divides opinion so fiercely.

The Bailiff: Deputy Dudley-Owen, is this a supplementary or is this your Question four? Question four.

Deputy Dudley-Owen: Will there be any amendments to physical design and internal layout of the buildings and therefore to the submitted building plans in response to the concerns raised by teaching staff?

The Bailiff: Deputy Fallaize.

Deputy Fallaize: The use of internal and indeed external space at the 11-18 colleges has been the subject of much discussion between officers, school leaders and teachers over a period of many months. These discussions continue to lead to modifications in the layout of the buildings at both sites. Recently this has included changes to the layout of the colleges' science labs and

preparation rooms and proposals being put forward, which we are minded to develop, about how more space could be made available for libraries and independent study areas.

The building plans submitted to the DPA do not need to be amended to accommodate such changes in the internal use of the building space. These are the types of changes which can be added to the plans at a later stage. Of course, changes to how internal space is used are largely a matter of reallocating space from one purpose to another. This does not, of itself, increase the total space available although, in relation to one of the changes I just mentioned, that could in practice add to the total space available.

The total space is as agreed initially by my Committee and the Policy & Resources Committee and then by the States and is subject to the budget limits for the project set out in the States' Resolutions of September 2019.

The Bailiff: Deputy Prow.

Deputy Prow: Thank you, sir.

Amongst the top five concerns identified by the respondents to the NASUWT survey were potential overcrowding, 64% of respondents; concerns around traffic and buses, 63%; a lack of outside space, 59.5%; the lack of social space for pupils, 52.3%. How are the amendments being worked up, seeking to address any or all of these concerns if, as the President has stated, there will be no increase in the footprint of the buildings?

Thank you, sir.

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Sir, again, it is not that I have stated that there will be no increase in the footprint of the building, as if I could magic up additional floor space. The footprint of the building is a consequence of the budget authorised by the States. The issue around traffic that Deputy Prow refers to is not related to how internal space is used, but I accept the other issues he has raised in his question are.

The use of the internal space has largely to be a school leadership decision. It really is not sensible for a Committee to have school leaders, and we say as a Government, 'That is the floor space that you have got to work within because that is the budget that we are prepared to pay,' and then the school leaders, in consultation with their staff, say, 'Okay, if that is the floor space available, we want to use this for social space, that for humanities, that for sciences.' And then we come along as politicians and say, 'No, we are not going to have that. We think there needs to be a bit more space for science and a bit less space for design and technology.' That is just not sensible.

So a lot of the decisions which are made around how the space is allocated to the items that Deputy Prow refers to are made at school leadership level. Actually, Deputy Prow is now talking about 52% of staff would like more of this, or 58% would like more of that. That is just fractionally over half. It is not possible to provide everything that every member of staff wants without increasing the budget –

The Bailiff: Your minute-and-a-half is up.

Deputy Fallaize: – by tens of millions of pounds.

The Bailiff: Your fifth Question, Deputy Dudley-Owen.

Deputy Dudley-Owen: In light of the public announcements from the Parish Douzaines, in particular St Martin's, St Andrew's, Forest, St Saviour's, Torteval and St Sampson's, which state serious concerns regarding the impact upon their parishioners and the students from their

parishes, regarding the plans to increase capacity at the two designated school sites from around 600 to 1,400 pupils, can ESC provide details of what tangible and substantive changes have been made, if any, to their one-school-on-two-sites plans, including responses to the traffic impact assessments and the Outline Business Case, in response to these Douzaine representations?

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

Incidentally, I think many of the Douzeniers on those Douzaines did not know that those statements were being made. In any event, over the past week or so, we have held three very constructive meetings with parish officials. They have provided another opportunity to remind parish officials of the reasons for the education reforms agreed by the States in 2018 and 2019 and of the advantages of the 11-18 model in slightly larger schools than Guernsey has known previously and to dispel myths and replace them with facts.

As, importantly, they have provided an opportunity for us to understand the views of parish officials and what we can do to alleviate concerns. We have jointly committed to continue discussions, in particular in relation to the concerns about demands on road infrastructure. I am confident that together we will find the right solutions, but they will need to include some modest change both to infrastructure and travel choices.

No changes will be made to the traffic impact assessments because they are just that, factual impact assessments. They are not plans. We are not saying that teachers or students should never travel to school by car. Nor are we drastically cutting parking provision for staff, compared to how much they use currently.

We are moving to a model where it is very likely that more students will live closer to the site of their school than in the current model. The number of students will increase gradually over a period of years and we are planning on the basis of the worst case scenario, including the full development of all the potential housing sites around St Sampson's High School being complete in the year when the school population is projected to be at its highest point.

The Bailiff: Any supplementaries? Yes, Deputy Dudley-Owen.

Deputy Dudley-Owen: Does the Committee intend proceeding with its stated objective of awarding a contract and beginning construction before the election or will it delay this process and ensure that traffic management systems, which address the concerns of the parishes, are finalised?

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Sir, we intend to do both. The intention of the Committee is not to award the contract for construction before the election. The intention of the Committee is to award the contract for the extensions in order that the transition model for students, which was published 16 months ago, can actually operate. Because, in the event that there is any delay in that timetable, the transition model for students will have to be ripped up because there will not be space in Beaucamps and St Sampson's for students to enter it in the years which they and their parents have been advised they will be at those schools and on those sites.

The increase in the number of students is not happening other than over a period of years and gradually, as I talked about, and certainly well in advance of that time, traffic plans will be in place but the traffic impact assessments, which is the stage we are at, at the present time, are required to support the planning application, which has now been submitted.

The Bailiff: Deputy Meerveld.

Deputy Meerveld: Thank you, sir.

1150 In his comments, his response, Deputy Fallaize made comments about more students living closer to the site of their schools and the full development of all potential housing sites around the St Sampson's High School site. Does his plans for mitigating transportation issue rely on considerable additional residential construction in immediate proximity to the two intended sites?

Thank you, sir.

1155 **The Bailiff:** Deputy Fallaize.

1160 **Deputy Fallaize:** No. That is a fair question and I can clarify. The traffic impact assessments, as required by the DPA, made us assume that all of the developments around the St Sampson's school site will go ahead. That is Pointues Rocques, the Saltpans Data Park, Fief, Belle Greve Vinery and Leale's Yard, all developed to their maximum potential, because they wanted us to assess the potential traffic impact under the very worst case scenario and at the point where the number of students at the school is at its highest and, after about 2026, as Deputy Meerveld knows, there is a drop in the school population.

1165 What I meant by more students in the new model living closer to their school is because at the moment the two secondary schools with the widest catchment areas are La Mare de Carteret, which extends across nearly the whole way of the west coast, and that is not going to provide secondary education in the future, and the Grammar School, which has an Island-wide catchment area and is not going to provide secondary education in the future. I am talking about in the state sector.

1170 So what we have done is looked at the residence of every individual student and mapped it to the current school locations and the future school locations and it is highly likely that more students will live closer to their new school sites than in the case of the current model, because the two secondary schools with the largest catchment areas are no longer providing secondary education, or will not be.

1175 **The Bailiff:** Deputy Inder.

1180 **Deputy Inder:** Sir, at the moment shuffling children around the schools seems to be a mixture of state-owned buses, mixtures of buses in service and I think the private sector as well. Under the new school model, has any consideration been given to the likely re-imagining of the fleet and is there likely to be a day where Government is going to have to buy its own buses under a new system or coaches, or whatever the fleet might be?

1185 **The Bailiff:** Deputy Fallaize.

1190 **Deputy Fallaize:** So to some extent the bus transport arrangements rely upon and obviously have to be tailored to the operational arrangement of the school. So we, for example, indicated a preference in our policy letter, when it was approved by the States, to have an extended school day three days a week. That has an effect on transport arrangements but those things have to be discussed with the profession and worked through a proper period of negotiation.

1195 But it is possible there will have to be changes in bus transport to the extent that the current arrangement could not provide. If that happens, I do not anticipate that there will be state investment in bus ownership. It is much more likely that we will come to an arrangement with a private provider, but we have had, or officers have had, discussion with those private providers and those plans are being drawn up at the present time.

The Bailiff: Deputy Merrett.

Deputy Merrett: Thank you, sir.

1200 I wonder if the President could answer, or maybe start to agree with me, that at the moment
we have a third of our children educated in the independent sector, of which the States are still
paying for a considerable number of those students to attend those colleges and they have
managed, sir, to get to school on the scheduled services, they do not have specific bus services,
neither are they in catchment area schools. So I do believe that Deputy Fallaize has given a part
1205 answer to the question, but my question to him is does he agree with me that at the moment
there are many students that are getting to school, non-catchment schools, and they are able to
navigate our infrastructure in a sensible and measurable way, sir?

Deputy Fallaize: Yes, of course there are four secondary schools with Island-wide catchment
1210 areas, and the three grant-aided colleges and the Grammar School. The total number of students
is not going to increase. Well, it is going to increase very slightly because that is what the
population projections show before it then falls again from about five or six or seven years' time.
But the total number of students will not be any different, irrespective of how many schools they
are distributed between.

1215 I also think it is worth bearing in mind, there are some challenges around infrastructure and
traffic to address, but to hear some of the debate that has happened you could be forgiven for
believing that the current arrangements for getting students to school work absolutely perfectly
and nobody is ever caught in a traffic jam, there is never a queue, there is never any difficulty for
parents getting their children to school.

1220 There are some challenges. The traffic impact assessment explains that they can successfully be
mitigated even if all the developments go ahead around St Sampson's and the maximum number
of students is at that school. So long as we know they can be mitigated, we have got to pursue
the changes which will deliver the maximum possible educational benefits for the greatest
number of students and that, at the end of the day, is why the States, twice, have approved the
1225 changes which we are now delivering.

The Bailiff: Your sixth Question, Deputy Dudley-Owen.

Deputy Dudley-Owen: Thank you, sir.

1230 Will ESC be introducing an extended programme of consultation with all the Douzaines to
address all the concerns raised and if so exactly what consultation is envisaged and over what
timescale?

The Bailiff: Deputy Fallaize.

1235 **Deputy Fallaize:** As I have explained, we have held meetings to which all of the Island's parish
officials have been invited. We will, of course, continue to engage with our parish colleagues,
especially in the parishes where the new colleges are to be located. We will shortly be setting up
focus groups, whose membership will include residents who live near the college site and
1240 Douzaine representatives. Through these groups we will work collaboratively to develop and test
a range of potential solutions. Traffic impact assessments were required as part of the planning
application but they represent the beginning of the work to mitigate traffic concerns and not the
end.

1245 **The Bailiff:** No one is rising, your seventh and final Question. Sorry, Deputy Meerveld was
rising to raise a supplementary.

Deputy Meerveld: Does the President agree with me that all traffic and transportation
mitigation plans should be finalised prior to beginning construction, full stop?
1250

Deputy Fallaize: Well, no I do not, because one is in a sense caught between a rock and a hard place here, because you either do not have any consultation whatsoever and you just say, 'These are the plans, get over it.' Or you say, 'Well, actually we want to work through a phased process,' where you try and understand what the traffic challenges are and then you work with the local community to develop solutions.

I believe in any school plan that has ever come forward, whether it is for four schools or three schools, or two colleges operating as a single school, there has always been a recognition that, as the system changes, there will need to be some changes made to infrastructure along the way. It is just not possible to set out, to take that kind of model and say, 'In four years' time we will on one day plonk this new model on the Island in terms of infrastructure changes, educational changes ...'

It is just not possible because you have got students in the system, you have to continue to operate a system as you are making changes to it. So that is why you have to have a transition period. Our responsibility, I think, was to ensure that the infrastructure and traffic challenges can successfully be mitigated and we have done all the necessary work to ensure they can be mitigated.

The Bailiff: Deputy Dudley-Owen, your final Question.

Deputy Dudley-Owen: Thank you, sir.

In light of the recent volume of robust public challenge raised on social media, by email, by letter, by telephone and face-to-face contact with States' Members, will ESC be conducting further public engagement in order to make meaningful and substantive changes to the plans published so far and the Outline Business Case?

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

I have explained the significant work being carried out to engage with key stakeholders and to amend and develop the plans in light of their feedback where there is scope to do so. My Committee has previously acknowledged the need to step up efforts to communicate plans more fully to all relevant stakeholders, including the wider community. We have recently announced we will be arranging meetings for parents of all school age children and we will keep the public informed of other meetings and drop-ins via the local media.

If our experiences over the last week are anything to go by, those who come to meetings and drop-ins will leave armed with facts, not myths. They will hear directly from the highly experienced, committed and passionate educationalists who will be responsible for running Lisia School. They will gain a fuller appreciation of how students will benefit from the learning and enrichment opportunities that the new 11-18 school and colleges will offer.

When new ideas come forward we can adapt, but we must remember that we are now two years into a five/six-year transition period. We are committed to providing the model of secondary education, which this Assembly has voted for, twice. Now is the time to provide certainty to our students and their parents by getting on with the job we have been tasked to do.

The Bailiff: Deputy Lester Queripel, is this the point where you would want to ask your supplementary question? Does it relate to communication?

Deputy Lester Queripel: I think that has been answered, sir, in Deputy Fallaize's previous response. Thank you.

The Bailiff: Deputy Prow.

Deputy Prow: Thank you, sir.

Referring to the robust public challenge, as reported in the *Guernsey Press* on 19th December and quoting from the *Press*:

Douzaines from five of the feeder parishes want the expansion of Les Beaucamps School stopped before a spade goes in the ground.

And a St Andrew's Douzenier was quoted on the same date as saying people did not understand the full extent of what was being proposed. Does the President agree with me that no construction should begin until there is a broader understanding and acceptance of the plans?

Thank you, sir.

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Sir, Deputy Prow is certainly right. There are some Douzeniers in Guernsey who do not agree with the education reforms agreed by the States in 2018 and 2019 and who I am sure, as they have every right to do, will continue to represent their views. There are also some Douzeniers who are either indifferent or undecided about the reforms and others who are supportive. That is the way it is in the Douzaines; it is the way it is in the general population.

No I do not believe that the reforms should in any way be delayed or abandoned because these reforms will deliver significant educational benefits to our students. It remains the best way of organising secondary education in a non-selective model, which is why it is the only model which has consistently been approved by the States, by two thirds majorities, where other models, previously put before the States, have been rejected because they are educationally inferior. Our responsibility is to deliver the highest quality facilities, the greatest opportunities and the highest educational standards possible to all students and not only some students and that is why we have got to press on with these reforms.

The Bailiff: Deputy McSwiggan.

Deputy McSwiggan: Sir, a change of this scale does require an unprecedented level of communication and, in saying this, I am not letting the Committee off the hook to deliver that. But would Deputy Fallaize agree with me that the level of engagement already shown by his Committee and by him personally is probably in order of magnitude greater than that we have seen in relation to any other change during this States and probably its predecessor?

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Well, I thank Deputy Yerby for saying that. I think it is probably best that I allow others to comment on the points that she has made but, nevertheless, however good or bad it has been at a Committee level or personal level, there is a need to improve communication. I think what has to be recognised here is this is a transformation programme probably unlike any other the States have undertaken, certainly in recent years, of a scale unlike the States have undertaken.

I think there are challenges in the States as an organisation getting itself equipped to lead and deliver those sorts of transformational changes. You know, it is quite difficult to do it when you have a communications team, for example, a fraction of the size of communications teams in most comparable jurisdictions.

The infrastructure within the States to run modern government, particularly large scale transformation programmes, is very limited and I think that there are lessons for the public sector, generally, in this. But our communication has got to improve. I think it has begun to improve but there is a significant challenge ahead, clearly.

The Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, sir.

1355 Thank you, Deputy Fallaize, and I do recognise that you have had some very targeted meetings
and I think they have been very helpful to those that have attended, but my request to you and
your Committee is would you give serious consideration to having a public meeting at places like
Beau Séjour, where anybody can attend and have a question and answer session, because the
drop-in sessions may be fine and suit some people, but equally, I think, to put on a proper
1360 presentation for not only the stakeholders and for parents and residents that are in the area, but
there are parents or others who are not in that target area that you have been associating your
public presentations with and I think they have, or should have the opportunity to hear what you
have got to say and hear the facts and make that decision after your presentation.

Deputy Fallaize: I think Deputy Lowe is right. The obligation is on us to ensure that any
1365 person who wants to is able to come and speak to us, ask us for more information, avail
themselves of the facts and the information around these reforms and we are making efforts to
ensure that anybody who wants that information can access it, whether it is online or whether it is
in person.

We do have a public drop-in session at Beau Séjour, on Monday, over a period of four hours,
1370 where Committee Members will be present, school leaders will be present, and officers who can
talk about infrastructure and travel and transport will be present; and any member of the public is
welcome to attend and we will be holding further such sessions, we will be holding sessions with
small groups of people in primary and secondary schools. We are trying to get out to as many
people as possible and we will continue to do that and I believe that, by the end of that process,
1375 there will not be anybody who will be able to say I really wanted to find out some more
information, I wanted to discuss this with Members or officers and I did not have the opportunity
to do so.

The Bailiff: Deputy Gollop.

1380 **Deputy Gollop:** Sir, on a point of procedure, is it not the case, really, that despite the
endorsement of the States for this two-school, preparations have been gone into and, moving
forward, they should effectively suspend further procurements and other details until they have
successfully gone through the planning procedure and have received at least outline planning
1385 permission from the DPA?

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Well, no, for two reasons. The first is because, as I have said, we are two years
1390 into a five- or six-year transition plan, twice agreed by the States. But of course that requires
appointing members of staff. It requires advising students and their parents of changes in terms
of the allocation of schools.

You cannot suddenly, half-way through that process, just pause it and say, 'Hold on, can we
just wait for a few months?' because we have children going through the system, we have staff
1395 who have been appointed. These are real people, with real lives, and you cannot just ask them to
pause their lives.

The other reason I say no is because nothing is being done which commits the States to move
to the next stage or the next phase, in the event that there is any difficulty with the planning
application. So going out to tender for the construction contracts does not mean a contract will
1400 end up being signed.

Of course, it would be absurd to sign a construction contract before planning permission has
been obtained and that will not happen in any circumstances. So there are commitments being

made, which in a sense get ahead of ourselves, but we are in the second year of a five- or six-year transition plan and we have to get on with it. I remember Deputy Ferbrache, when the model was agreed by the States, saying, 'Okay, if this is what is happening, it is happening, but for goodness sake get on with it.' That is what we are doing, we are getting on with it.

The Bailiff: No one else is rising. That concludes Deputy Dudley-Owen's questions and we have now had over an hour of Question Time in which we have got through what were eight original Questions, plus supplementaries. There are a further 12 Questions to go. Under the Rules, I am going to defer those to later in the meeting and we will move on with other business and come back to the other Questions later in the meeting.

Billet d'État I

ELECTIONS AND APPOINTMENTS

COMMITTEE FOR EMPLOYMENT & SOCIAL SECURITY

I. Appointment of Mr Stuart Le Maitre as Industrial Disputes Officer and Mr Boley Smillie as Deputy Industrial Disputes Officer – Propositions carried as amended

Article I.

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'Appointment of an Industrial Disputes Officer and Deputy Industrial Disputes Officer', dated 25th November 2019, they are of the opinion:

- 1. To appoint Mr Stuart Le Maitre as Industrial Disputes Officer, for the period 3rd February 2020 to 31st December 2024, and*
- 2. To appoint Mr Boley Smillie as Deputy Industrial Disputes Officer, for the period 3rd February 2020 to 31st December 2024.*

The Deputy Greffier: Billet d'État I, Article I, Committee for Employment & Social Security – appointment of an Industrial Disputes Officer and Deputy Industrial Disputes Officer.

The Bailiff: Deputy Le Clerc – and there is an amendment as well, is there not?

Deputy Le Clerc: Yes, sir. I would just like to lay the amendment.

The Bailiff: Yes.

Amendment.

- 1. In Proposition 1, for "3rd February 2020" substitute "15th January 2020".*
- 2. In Proposition 2, for "3rd February 2020" substitute "15th January 2020".*

Deputy Le Clerc: This amendment just brings forward the start date, the commencement for the two officers, from 3rd February to 15th January. When we laid this policy paper, we were

unsure in which debate this would happen and there are things happening in the background, and it would suit the Committee for the commencement date to start 15th January and I can confirm that both of the nominees are happy for the start date to commence 15th January and I would ask everybody to agree the amendment.

1430 Thank you.

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

Deputy Langlois: I second the amendment.

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The Bailiff: Any debate on the amendment? No. We go to the vote on the amendment. Those in favour; those against.

Members voted Pour.

The Bailiff: And is there any substantive debate now? No? Ah, Deputy Tindall.

1440 **Deputy Tindall:** Sir, it was just a query. Obviously there is a gap between the end of the previous appointments and the 15th, today, and I just want a reassurance that that has not caused any issues. Obviously, by appointment today, it will continue as business as usual.
Thank you, sir.

1445 **The Bailiff:** Anything further? No. Deputy Le Clerc will reply.

Deputy Le Clerc: Sir, I can confirm that there have been no issues. In fact I do not think the panel have met for the last two years, so there have not been any urgent ... but we do know that there are potentially some things coming up and that is why it is important for us to approve these appointments today.
1450 Thank you.

The Bailiff: So there are two appointments, so two Propositions. I will put both together. First to appoint Mr Stuart Le Maitre as Industrial Disputes Officer and the second to appoint Mr Boley Smillie as Deputy Industrial Disputes Officer, with effect from today's date. Those in favour; those against.
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Members voted Pour.

The Bailiff: I declare them carried.

LEGISLATION LAID BEFORE THE STATES

The Land Planning and Development (Fees) (Amendment) Regulations, 2019

The Deputy Greffier: The following legislation is laid before the States: the Land Planning and Development (Fees) (Amendment) Regulations, 2019.

1460

The Bailiff: I have not received any motion to debate legislation.

LEGISLATION FOR APPROVAL

COMMITTEE FOR ECONOMIC DEVELOPMENT

**II. The Companies (Guernsey) Law, 2008 (Insolvency)
(Amendment) Ordinance, 2020 – Approved**

Article II.

The States are asked to decide:

Whether they are of the opinion to approve the draft Ordinance entitled "The Companies (Guernsey) Law, 2008 (Insolvency) (Amendment) Ordinance, 2020", and to direct that the same shall have effect as an Ordinance of the States.

The Deputy Greffier: Article II, Committee for Economic Development – The Companies (Guernsey) Law, 2008 (Insolvency) (Amendment) Ordinance 2020.

1465 **The Bailiff:** Is there any request for any debate or clarification? No. We will go straight to the vote. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

POLICY & RESOURCES COMMITTEE

**III. Charities and Non-Profit Organisations –
Introduction of Single Register of NPOs and Charities –
Propositions carried**

Article III.

The States are asked to decide:

Whether, after consideration of the Policy Letter dated 12th November, 2019, of the Policy & Resources Committee, they are of the opinion:-

- 1. To agree to the introduction of a single register of NPOs and the repeal of the requirement for the Registrar to maintain a separate register of charities*
- 2. To agree to amend the definition of NPOs by the introduction of a charitable purposes test, which may be amended by regulations made by the Committee after consultation with the Registrar*
- 3. To agree to amend the criteria for registration to bring them in line with the risks posed by the NPO sector*
- 4. To agree to the introduction of a power for the Committee to make regulations, after consultation with the Registrar, exempting types or classes of NPO from the requirement for registration or from particular obligations attaching to registration, including NPOs who register voluntarily, and making changes in respect of the thresholds or any exemptions that have been put in place*
- 5. To agree to the widening of the Registrar's powers to refuse applications for registration*
- 6. To agree to the introduction of restrictions on the persons who may act as owners, controllers or directors of NPOs*

7. To agree to the introduction of a power for the Committee to make regulations, after consultation with the Registrar, in respect of governance measures applicable to NPOs, including in respect of ethical standards

8. To agree to the introduction of wider information-gathering and oversight powers for the Registrar and information sharing gateways between the Registrar and other parties

9. To agree to the introduction of an exemption from the requirement to provide information about the owners, controllers or directors of NPOs that are Guernsey or Alderney legal persons where that information has already been provided under the registration requirements applicable to those legal persons upon and subsequent to incorporation, and to any amendments to the Beneficial Ownership of Legal Persons (Guernsey) Law, 2017 that may be necessary to ensure consistency of sanctioning powers

10. To agree to changes to the sanctions applicable for non-compliance with the registration requirements

11. To agree to the introduction of a reporting requirement in respect of certain categories of transaction and a power for the Committee to make regulations, after consultation with the Registrar, amending the categories of transaction exempt from this requirement

12. To agree to the repeal of the Law and the introduction of new legislation consolidating the registration framework applicable to Guernsey and Alderney as outlined in the Policy Letter; and

13. To direct the preparation of such legislation as may be necessary to give effect the foregoing, including any necessary consequential and incidental provision.

The Deputy Greffier: Article III, Policy & Resources Committee – Charities and other Non-Profit Organisations.

1470

The Bailiff: Deputy Trott, I think, the Vice-President, will be opening the debate.

Deputy Trott: Thank you, sir.

My apologies for my belated attendance this morning. The weather interfered with my travel arrangements.

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The Bailiwick of Guernsey is fortunate to have a successful and healthy charitable sector involved with a wide variety of community activities. Many of these voluntary, non-profit and charitable organisations, referred to collectively as NPOs, work alongside the States of Guernsey to deliver essential services and facilities.

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Having worked closely with the third sector in our community, this policy letter proposes a number of changes to the registration framework for NPOs that is currently set out in the Charities and Non-Profit Organisations Registration (Guernsey) Law, 2008. So this Law applies to NPOs established in Guernsey and Alderney. The changes proposed by the Committee will help to strengthen the governance of NPOs and support them to be more effectively managing of their risk, while enabling the States to comply with international financial regulations and standards. So those are the drivers.

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Basically the changes fall into six categories. The first category is aimed at facilitating a more targeted and risk-based approach to compulsory registration, which requires the removal of the registration requirement from low-risk NPOs and its extension to some, which are currently exempt. This may be done by raising the financial thresholds for registration and amending both the definition of an NPO and the exemptions from registration. It is envisaged that these changes will, in turn, enable the introduction of a single register for NPOs, to include charities, rather than the maintenance of two separate registers as is currently required under the Law.

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The second category is aimed at preventing the registration framework being used inappropriately. This involves a widening of the power to refuse applications for registration and the introduction of a basic fit and proper test for the officers of those non-profit organisations.

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The third category concerns the quality of the controls that NPOs have in place and the information they obtain about parties with whom they deal. This involves an extension of the

compulsory governance obligations applicable to registered NPOs and the introduction of a reporting requirement for overseas transactions above a specific threshold.

The fourth category relates to the possible use of the registration framework to promote standards of ethical conduct in the charitable sector, particularly in relation to adult safeguarding and child protection requirements.

The penultimate category is aimed at more effective enforcement. This involves both widening the information gathering and other oversight powers of the Registrar of Guernsey and Alderney NPOs, widening the range of sanctions available to the Registrar and raising the level of existing sanctions applicable for non-compliance with the obligations under the registration regime. These measures would be accompanied by the power for the Registrar to issue statutory guidance and standard forms and enhanced information.

The final category concerns clarity and ease of use. It involves the repeal of the Law and the introduction of new legislation consolidating and clarifying the registration framework applicable to Guernsey and Alderney. Now sir, we have worked closely with the third sector, as I said in my opening remark, and I have received no advance notice of any technical questions with regard this policy letter and so I move.

The Bailiff: Deputy Gollop.

Deputy Gollop: Sir, thank you.

This is one of those things that perhaps sneaks in a little bit under the radar. I am a past president and on the committee of Living Streets, and I am on the committee, not as active as I should be, on the WEA and various voluntary bodies and I do attend from time to time Association of Guernsey Charities and occasionally Community Foundation events and I know that the senior team of those organisations, as Deputy Trott has alluded to, are spot on in terms of their knowledge of corporate governance, their demands of the highest possible standards in the field and the need for training and development across the *piste* in terms of organisation, money management and data protection.

I welcome much of this, including a more risk-based intelligence approach and the obvious need for Guernsey to comply with the highest international standards. But it is another wave of regulation and I am conscious, personally, that there are 400-500 charities or whatever on the Island. It is always debatable what a charity is, because some people include religious organisations, others might include social organisations or educational and of course there are many, there is a listing of charities, as such, who belong to the Association of Guernsey Charities and they range from the Friends of the Priaulx Library – on the committee of that as well – historical conservation, academic societies to those focussing more on environmental or health or care facilities.

But I do question a little bit some elements and I reserve the right to vote against or discuss legislation that arises from this, although I will support the main line today. Because we have this concept of non-profit organisations. Now, I could form the John Gollop Jumble Sale Society to raise money for singing and dancing and whatever and I do not know whether that would pass any test, because there is a little bit of appraising here.

Not only will you be stricter about charitable organisations, I notice page 11 of the big book, 4.5.2, it is proposed that instead the Law should provide that persons with criminal convictions, other than convictions that are spent in line with the permission of the Rehabilitation of Offenders 2002 and/or those who do not meet the director eligibility criteria within the Company Law and minors will be precluded. That is not just for registered bodies but for non-registered bodies.

Of course a lot of people would say Amen to that, because they would not want people with significant issues or tendencies or convictions to be involved in this field. But of course there are a lot of organisations that revolve around illness, around mental conditions, around self-help for addictions, and occasionally and understandably some of the people who are best at getting

1550 involved with those groups and organising them have in the past fallen foul of the Law or perhaps financial insolvency. I think we have to beware of that.

I have actually had connections with, for example, gambling addiction groups, and inevitably that might not qualify them as a director of a GFSC-regulated body but should not preclude them from being involved with a non-profit organisation.

1555 I also think that these requirements, the whole collective, are very onerous indeed with the 400-500 not for profit organisations and would encourage that perhaps the state, as part of their third sector contract that Deputy Stephens and I and Deputy Le Tocq and Deputy St Pier have supported over the years, they need to work with the sector, maybe to encourage mergers or a central base of professional support and communication and management and administration to aid the smaller charities. Because the smaller organisations want to help what they are interested in, whether it is brass rubbing or sick children or research into a condition or illness or promoting gender or whatever equality.

1560 They do not want to be fussed with lots of administration, yet the States are encouraging, indeed forcing them, to this very position, because of the regulated times that we live in and the different era from 20 years ago. So, to think about Deputy Le Tocq, one of his constituents, the great Mrs Le Page of Torteval: when Mrs Le Page of Torteval organises a jumble sale to support the Church or to support Guernsey goats or whatever, she does not want to find that there is a whole army of red tape and organisational costs and work to do that takes her interest away from the knitting, if you like, to becoming a *quasi* compliance professional.

1570 Therefore, I think we need not only understanding in implementing this but active support from the States to give the third sector resources to ensure that they actually help the state in the greater society.

The Bailiff: Deputy Roffey.

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Deputy Roffey: Thank you, sir.

I simply rise to declare a special interest, as the chairman of a locally registered charity that provides assistance with development work and education and health care in the north-west of India and could well be impacted by this change of rules and therefore I think it is important that I put that on the record.

1580

The Bailiff: Deputy Le Clerc.

Deputy Le Clerc: Thank you, sir.

1585 I would just like to draw Members' attention to page 18 of the Report, section 9.1, and it is regarding resources. I am slightly confused about how this is going to be paid for. Maybe I am just a little bit bruised as well because I have sat in front of P&R several times over the last few months requesting funding for our ERO and tribunal resources, so I also query the actual costs of the three additional staff and what they will actually be doing.

1590 But firstly it says that funding of £135,000 will be required for 2020 and that was included in the Guernsey Registry budget. So was this an increase in the Guernsey Registry budget of £135,000? And in 2021, I am assuming that the total cost will be £185,000 for 2021, but will it go back down to the £135,000 in 2022?

Then on the last line it says:

This increased expenditure will reduce the overall surplus of the Guernsey Registry which is transferred to General Revenue ...

1595 So is it coming out of the profits of the Guernsey Registry or was there an increase in the budget for 2020 of the £135,000? I just find the wording of that very unclear.

Thank you, sir.

The Bailiff: Deputy Inder.

1600 **Deputy Inder:** Sorry, sir, I will switch my microphone on.

I am glad Deputy Le Clerc brought paragraphs 9.1 and 9.2 up. Three extra members of staff to manage what is effectively a database. In all likelihood a customer relations management system is not going to be crafted. It is probably going to be bought. You have got three members of staff, 40 hours per member of staff, 120 hours per week for who knows how long?

1605 That seems an awful lot of money to manage what effectively is a customer relationship management piece of paper. In 9.2 it says:

It is estimated that the one-off cost of the new system will be no more than £300,000 and this would be funded through a minor capital vote.

I do not know the system and Deputy Trott did give us fair warning that he is not going to be able to answer any technical questions at all, so I will not put him on the spot. But I am just wholly uncomfortable with this. Here we go again. We have another three members of staff, another
1610 £300,000 on the budget. We have got absolutely no idea what the licensing fees are. We do not know what the long-term costs are and I am simply not going to support this because this happens time and again. All the time this happens.

Even in the Propositions themselves, I know it is a minor capital vote, actually what they have done is put the cost down, for once. But I still do not like them anyway. It looks wholly expensive.
1615 Three members of staff, 40 hours per person 120 hours a week to manage what is effectively a bit of input and some use on a database. It looks wrong and I will not be supporting this and I will not be supporting, for the remainder of my term, anything that smells like it is too much money and this smells like it is too much money.

1620 **The Bailiff:** Deputy Dudley-Owen.

Deputy Dudley-Owen: Thank you, sir.

I am in favour of the principle that is being put forward by this policy letter and I do feel it is a logical progression in terms of our management of the third sector. However, I share the concerns
1625 of Deputy Inder and also of Deputy Le Clerc and also actually of Deputy John Gollop, who rose initially with some good points.

We are professionalising charity work in Guernsey here and there are two sides to that. There are negatives and there are positives. We can look at larger organisations such as Oxfam and the ethical issues that have been raised by their lack of governance and their extremely appalling
1630 behaviours in the field. Therefore we do need to have better governance around those types of structures.

But we have got to recognise the value of the third sector to our community in Guernsey and the smaller individual events that are put on, through work and hard graft by individuals who receive no acknowledgement and often no payment for what they do, cannot go unnoticed.

1635 The combined wealth of many of the charities in Guernsey is staggering, absolutely staggering, and there are charities that do much better than others and, having worked in the charitable sector myself and experienced being the chairperson of the Post-Natal Depression Support Group over here for some years, I know that it was very difficult for us to raise any money because it was not a so-called 'sexy' topic. Whereas other charities told me often that they were awash with cash.

1640 We have had discussions over how to get a more equitable balance of funding through this and also equitable share of resourcing, because some charities are excellent at getting skills and drawing in high-profile individuals and others just never get a chance and I do see that, within this policy letter, there is an opportunity for that skill share and that resource share to be more fairly balanced throughout the charity sector.

1645 So, in summary, I am not sure how I am going to vote now. Deputy Inder has really raised
some very viable points and I think that the execution of this policy is in question, though the
actual thrust of it is laudable. I do also ask the question of Deputy Lyndon Trott, when he sums up,
whether he can give us any more information about the technical features of the enhancement of
1650 as an API in order that other applications can actually speak to that Registry, because we know
that does prove a barrier to business and governance here in Guernsey.

Thank you.

The Bailiff: Deputy Ferbrache.

1655

Deputy Ferbrache: Sir, I very much support the words of Deputy Trott when he says
something that we have all said, I am sure, so many times, the value of the third party sector, the
value of the charitable sector. We are very fortunate. That leads me to these questions. As
somebody who is anti any new regulation unless it is of absolute imperative, is there really a need
1660 for any of this?

Is it going to put off the type of people that Deputy Gollop referred to in his speech? Also,
Deputy Inder I think has persuaded me, subject to any comments that Deputy Trott may make in
his reply, that another three members of staff, another X thousand pounds for what benefit? It
reminds me of the health regulator for the health regulations that I have spoken about so many
1665 times before, where we just spent – and I was in a minority of about two or three, I think –
£378,000. We were quite happy just to cast that asunder because it made 36 Members, most of
them I am looking at, feel so good. Is this necessary? If it is not necessary I am going to vote
against it.

1670 **The Bailiff:** Deputy Leadbeater, do you wish to be relevéd?

Deputy Leadbeater: Please, sir.

The Bailiff: And Deputy Paint, you have stood quite a number of times, so Deputy Paint.

1675

Deputy Paint: Thank you, sir.

I declare an interest first as we opened a charity up in 2003 to assist children in the Far East.
We registered it in 2005 and it worked very well right up until now. But unfortunately I am not
here to speak about my charity, unfortunately at times things happen that immediate assistance is
1680 wanted. We have got exactly the same happening now. We know that there are massive forest
fires in Australia. Most of the firefighters are volunteers. Some, as I understand it, if they work for
government, the government will continue paying them. Many are self-employed, non-employed
and have no benefits at all. Some of these people need help immediately.

I feel that if we restrict, what we have to, two Deputies for sure and several other people ... is
1685 find a way to get money to them very quickly. Now up until this morning I have got pledges of
£500 towards that. I am not advertising, by the way, I am just saying at times you have got to have
money put there very quickly.

I have not had any problems at all with the register by filling a form each year, I take it there,
they are very good. They take it from us and that is the last I hear and the charity is registered.
1690 With this it is not quite so easy because we have to find a system to get money there. Going
through the system that is being said will take months. People die in months That is all I have to
say.

Thank you, sir.

1695 **The Bailiff:** Deputy McSwiggan.

Deputy McSwiggan: Thank you, sir.

Deputy Le Clerc was right to highlight that there does seem to be one rule for one, being P&R, and another rule for the rest of us when it comes to the accessibility of funding. I am not going to vote against this policy letter to teach P&R a lesson in that respect because actually I think the rule that they apply to themselves is better in terms of the responsiveness of Government to needs that should be met, and they should be taking a more mature and inclusive response to other committees rather than us slapping them on the wrist because they slap us on the wrist. Deputy Le Clerc is absolutely right in that sense. That is not influencing my vote but I hope that P&R will hear the message and reflect on it.

I think Deputy Gollop and Deputy Dudley-Owen possibly both got the wrong end of the stick a little bit in terms of what this means for the professionalisation of the voluntary sector. Because the approach in the policy letter clearly sets out a risk-based approach to charity regulations. So actually for a lot of charities that are not engaged in what would be considered risky activities, this promises a lighter touch future than what we currently have; whilst for others, where we are right to have concerns, it offers a higher degree of scrutiny.

So it is about trying to find that balance between not introducing punitive measures for Deputy Gollop's jumble sale while focussing our efforts on some of the things that charities do that really do have quite serious consequences. Because charities, much more so than governments, are able to be there, where they are needed, at the time there is a need, and that involves taking on a level of risk that we ourselves often would not contemplate.

The fundamental message in this policy letter is, I think, that registration has to mean something and at the moment being registered as a Guernsey charity does not mean terribly much in terms of the integrity, the probity of the charity, the standards that it is held to. So this evolution of the regulatory regime is towards one that should make it mean something.

First of all in terms of the financial integrity of the charity, which I think is relevant given that Deputy Le Tocq referred to our national risk assessment this morning. This is relevant to our international reputation. Money passing through charities in Guernsey needs to be given careful scrutiny in the same way as we would money passing through our financial sector. Not to the same extent, but the same principle applies.

I was really pleased also, as President of the Overseas Aid & Development Commission, to have worked with Policy & Resources to ensure that there was a power built into the new regime for the regulator to be able to set ethical standards where those are needed. Because as Deputy Dudley-Owen referred to, there are concerns with safeguarding, internationally and locally, and if we have a solid regulatory regime then we need to be able to set clear ethical standards in relation to health, safeguarding and child protection, primarily. Perhaps other issues we cannot imagine at this point in time but the sector may need to respond to in future.

So I am really pleased that P&R took that on board and that is reflected in here. Fundamentally, sir, I think this paper is about registration as a Guernsey charity meaning something in terms of the safety, the integrity of the charity and therefore the assurance that we can have as donors that the money passing through it is really going to benefit what we all want it to benefit. So I think it is a positive step forward and I will be supporting it.

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Thank you, sir.

I rise primarily because some of the comments made by Deputy Ferbrache. I share his similar concerns, when we are seemingly bringing in extra levels of regulation and the sorts of things that we would like to feel, certainly I would like to feel, that in a small community like Guernsey we do not actually need.

However, he did ask a question, 'What are the benefits for this?' and he said he would not be voting for it because he could not see any benefits. The benefits are largely that we keep our international reputation and, sir, I think we have sought hard, certainly those of us on P&R who

1750 have a conscience and have been involved in the smaller charities in Guernsey – because I think to a large degree the larger charities will be used to this sort of regulation, or even stricter regulation elsewhere – it is the smaller ones that I am concerned about and we have sought to have a compromise.

1755 The likes of Moneyval and IMF raised these issues and if we want to protect our industry and our reputation then we have to come up with a system that is proportionate and effective to achieve the goals set by such organisations.

I will give way.

Deputy Ferbrache: I am grateful for Deputy Le Tocq giving way. Just by way of a question, has there been any example of abuse in our system in the last two or three years?

1760 **Deputy Le Tocq:** The problem is we do not have evidence, because we do not regulate in that way, to produce examples of such. That would be the accusation. It is very much like issues of financial crime. They are looking for evidence when they come here and I am sure, as Deputy Ferbrache is aware, when we have a visit and review of our systems of regulation and legislation, then there is a fine tooth comb put through everything that happens here and questions are asked.

1765 So I think we have resisted for a number of years going down this route and I would, I am sure he feels similar, I remember going to the USA years ago and finding out that the charities there, certainly a number of years ago, did not have to be registered. There was no need to put in annual audited accounts of any of those. It is very annoying but they are a big jurisdiction and, in a sense, they can afford to do that sort of thing if they still continue to do so.

1770 But with the eyes of the world on incidents that are reported widely now, of money laundering or terrorist financing, and using more covert means of doing so, then we had to come up with a system that was proportionate to Guernsey. I am sad that we have to do this but I do not think there is any other way of doing that if we want to keep the benefit of being recognised as a best practice place when it comes to financial stability and security and not encouraging the sorts of behaviours that we see elsewhere.

Thank you, sir.

1780 **The Bailiff:** Deputy St Pier.

1785 **Deputy St Pier:** Thank you, and I just really want to build on Deputy Le Tocq's comments, because I think in response to Deputy Ferbrache and Deputy Dudley-Owen, in essence what is the driver for this and I want to draw Members' attention, in particular to paragraph 2.3 – that is the primary driver for this. We say there, first of all, there are two recommendations in the January 2016 Moneyval report on Guernsey's compliance with the Financial Action Task Force standards, which can only be met by revisions to the legislation.

1790 Second, the FATF standards have been revived since the Law was introduced and these changes need to be considered in the context of any revisions to the legal framework. So would we be bringing this policy letter forward as a priority in the absence of that? Probably not. This is, as much as anything else, about, as Deputy Le Tocq has said, our international reputation, but this is about our largest industry as well, the financial services sector.

1795 Because one of the tests that Moneyval will be looking at when they come back, and we know they are coming back in 2022-23, is that we have addressed the recommendations and that we are moving our standards along. So this is the primary driver. We would be cutting off our nose to spite our face if we were to fail to action this at this point. I therefore strongly urge Members to not disregard that as being a critical factor here.

The Bailiff: Deputy Lester Queripel has stood enough times.

Deputy Lester Queripel: Sir, thank you.

I rise to declare an interest, seeing as I am a member of the Age Concern committee and have been for seven years – the first three years as chairman of the committee. In an attempt to provide some comfort to Deputy Gollop, I will read the last sentence of paragraph 4.2.3, which reads:

... the Committee recommends that the legal framework should be amended to include a charitable test to inform what should be considered to be a charity, and also to require only one register to be maintained, but which would be maintained in a way that enabled charities to be separately specified as such.

Thank you, sir.

The Bailiff: Deputy Tindall.

Deputy Tindall: Thank you, sir.

Deputy St Pier mentions paragraph 2.3 as the primary driver. I agree, but there are elements in my view that need comment. I start with in particular paragraph 1.1. of the policy letter, where P&R make three statements. The first is that:

The States recognises and is grateful for the significant contribution NPOs make to the community.

The second is that they:

... will work with the third sector as the legislative framework envisaged in this policy letter develops.

And the last that P&R is:

... conscious of the importance for the framework governing NPOs to be proportionate.

To me, that sums up the important aspects of the proposals: appreciation, consultation and proportionality and I will deal with each in turn. For me, I will also talk about charities rather than NPOs. Whilst charities are not-for-profit organisations (NPOs), to me charities are far more important and I have no doubt that the changes to those organisations will be the ones that the community will be affected by the most.

I wholly endorse the sentiment behind P&R's comments that the state is extremely grateful to all the hard work the volunteers in Guernsey and Alderney do for the community. We are so appreciative, especially on Health & Social Care, of the many millions of pounds that the work of charity saves the taxpayer and I think this highlights the importance of why we need to look at this particular subject. If they were not there it would cost a great deal to replace the services and support that they currently provide.

I say sentiment, because unfortunately our thanks is not said often enough and the way in which we collaborate does not necessarily always reflect this appreciation. As a result, these changes may appear to some to be another burden, another barrier to collaborative working and to helping our community. I could not disagree more.

At this point I would comment on Deputy Le Clerc's point about funding to pay for three staff to deal with registration and queries and more than just a simple database, I would say. It is required for compliance with international standards, as has been mentioned. I would suggest that the benefit to those registered already who pay fees, those in the finance sector, will benefit. As indeed, ultimately, the taxpayer will. Charities should not have to pay for registration so I would like to clarify if this could be considered in these proposals as they mature.

Whilst the reasons for the changes are focussed on the package required by international requirements, the purpose behind them is and will be beneficial to our community and to the taxpayers, as I say. That leads me to the second and third statements about consultation and proportionality.

In order to get those benefits, the changes must not only be right for the charities in the Bailiwick but they must also be developed in a collaborative way so that those hard-working volunteers of the charities can see the benefits and are brought along that journey of change. Having attended the AGM of the Association of Guernsey Charities (AGC) a few years ago, when
1845 these changes were discussed, and a draft constitution distributed, there were concerns voiced then about their potential effect.

As I believe they would be beneficial I would like to give a few examples of why. So, good governance. As the policy letter says, this will be achieved through a number of steps which promote transparency and integrity and include a fit and proper test for controllers of charities.
1850 Those steps, briefly, in turn, starting with the fit and proper test, I think are fundamental to ensure the right people are entrusted to undertake the role they are being appointed to.

Professionals such as lawyers and accountants and those in senior roles in the finance industry have long had such a requirement. Recently, HSC agreed to include such a test in our latest cannabis licensing regime. This fit and proper test proposed for charities is a basic test and one
1855 which should not be too onerous. The questions include: are they disqualified from being a director here or elsewhere; do they have extant criminal convictions or are they under age? I hope this last one does not put off our youth, who are keen to organise themselves, such as those protesting about climate change.

Perhaps with that in mind it could be agreed that those 16 and over could be able to get involved as controllers of charities. Deputy Gollop also raised an interesting point about those
1860 with relevant criminal convictions. For example, if a charity set up by ex-offenders to help ex-offenders, will they be precluded from becoming a controller? I would hope there would be consideration for exemptions for such of these relatively new scenarios.

Constitutional documents promote transparency to show those who benefit from the organisation's work and those who donate how the decision-making should take place, see that
1865 there is a requirement for independent oversight of finances and in the record-keeping processes, including the protection of personal data.

A charity's constitution would not have to be all-singing and all-dancing but have the basics to ensure that those who are in charge of the money are accountable and the means of that
1870 accountability is clear. As I have mentioned, the agency has produced a draft document and no doubt there will be those like me who will be happy to help charities complete this requirement, as I have done in the past.

The next element of good governance is risk mitigation, something which should be an important consideration of all charities. It is not just about ensuring the best use of money and
1875 that services are effective but also measures to identify donors and beneficiaries to make sure they are who they say they are and that the money is going to be spent in accordance with the wishes of the beneficiaries.

This may seem onerous but banks already require this for some of their account holders and similarly this requirement will be introduced on a risk-based approach, as Deputy McSwiggan
1880 pointed out. For example, those who benefit others abroad would need to undertake greater scrutiny, if they do not do so already, of course.

Financial probity and transparency is linked with this. Knowing who is responsible for the money and how the spending of the money is overseen gives reassurances to all concerned; so much so, I would like to think the majority already have these transparent procedures, because
1885 these charities are acutely aware of the need to show integrity through their work.

Lastly, the good governance step is establishing standards in respect of child protection, adult safeguarding or other forms of ethical conduct. From an HSC point of view this is particularly pertinent. I am very glad to see this included in the list. The changes must be proportional. We all understand that is necessary but what is proportional? Some of us are used to more onerous
1890 requirements in the finance industry and many of us, sir, are or have been controllers of charities over the years.

I started as a controller when I joined the Board of Carers' National Association of Wales in 1995. Since then, I have been a controller in a variety of charities and I have seen bad governance but I have also seen good governance. I have seen charities and their beneficiaries reaping the benefits of that good work, as well as proportional to the work of the charity there must also be a continuing responsibility, as I have also seen how changes in the board have led to a lax approach and the subsequent issues which arose.

I would also like to make a couple of points about the queries with regard to what was mentioned by Deputy McSwiggan about the risk-based approach. As far as I can see, it is clearly said that the fit and proper test will apply to all registered and non-registered charities. However good governance does not seem to be so clarified. But I am assuming that will be registered and non-registered, which is appropriate and is proportional considering the benefits I have highlighted.

The proportionality is reasonable and the basics necessary. The financial thresholds are clear and obviously that is where, to a more greater extent, the risk-based approach applies and greater levels of governance will be required. But many are concerned about the effect on the numbers of volunteers and numbers of good causes in our community. I think Deputy Dudley-Owen was going into that to some extent.

Will less people be involved? Will charities amalgamate to reduce the burden? Will there be a need for more volunteers of those who know what good governance looks like and can help? So how do we support charities to comply with and benefit from the new requirements. How do we ensure these benefits are seen and appreciated by the community?

For me, consultation on how these changes are to be developed is key. There is more to it than just that. For me it is leading by example. Good governance is something that should also be, and seen to be, practised in every aspect of the work of the States. As with charities, the States, including all 40 of us, sir, need to give those who will pay for and benefit from the services the same reassurance being asked of charities. The States should have financial probity and transparency, should have integrity and adhere to ethical standards, as set out in the Nolan Principles. And Members should follow, as best as possible, our constitutional document, namely the Rules of Procedure.

I believe that until we, the Members of the States, fully accept that we must practise what we preach, how can we look the hard-working volunteers in the eye and ask them to adhere to these new requirements. Sir, I ask my colleagues to support these Propositions. I ask them to give the charities our fullest support and do so by also leading by example.

Thank you, sir.

The Bailiff: Deputy Merrett.

Deputy Merrett: Thank you, sir.

I will try to be short and I will try to avoid any questions already arisen that I have, because we are trying to avoid tedious repetition, which I remind Members of now by doing that myself. On balance, I have listened very carefully to Deputy St Pier and Deputy McSwiggan and I agree with both of them for completely different reasons, potentially.

What I would like to ask, though, when Deputy Trott sums up, is how much do these charities raise *per annum*? Is it proportionate that we are going to pay x amount of staff when, actually, the amount of money raised, *per annum*, as alluded to by Deputy Tindall, is millions? It is not just the money that is raised but how many hours of our community's lives are we giving and working for such organisations? I would certainly wish to work for organisations – and I will declare an interest in a moment, sir – that have actually got good governance, have propriety, actually have ethical standards.

Those are two questions I hope Deputy Trott can certainly give us some sort of ball park figures because these are enormous sums of money and enormous hours of members of our community's time.

I am going to reverse the questions that are being asked. I understand the cost of doing it, it is quite clear in the paper, which I thank P&R for. What is not clear in the paper is the cost of not doing it, which is what Deputy St Pier has alluded to. I am concerned about the extra staff but actually I am more concerned about not doing this and having our reputation, not only international reputation but the reputation of our community of Islanders who are working, giving to such organisations, which then fall foul of acting within good governance.

So I think the benefit of this paper outweighs the detriment of the additional costs because of the amount I am suggesting the charities actually put into our community for the benefit of our community. I will declare an interest, because I have, for most of my life, worked for non-profit organisations. I work for them now. I give my time. And also for charities.

But I have always done so after doing the relevant research and I cannot answer Deputy Ferbrache's question but I can assure him that there have been occasions where I have walked away from working with certain charities or NPOs because I have just not had the certainty that either my financial donations or my time is being spent in the way that I would wish it to be spent. So I declare an interest. I do it now, I always have done. But if Deputy Trott is able to give us some indication of the cost of not doing it and the cost potentially of how much these charities and NPOs raise for our community, and it is not only the financial cost, I would like to remind Members that the cost of giving somebody's time is as much as giving a financial donation.

Members of our community can give time who are not able to give money and I think that is a cost. We cannot get hours of lives back. Once we have given it to a charity or an NPO, that time has gone and that is also a cost, members of a community use. I had other things to say. I am not going to repeat them. I hope Deputy Trott is able to persuade Members who have shown doubt on this when he sums up.

The Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, sir.

Just a short observation. In relation to paragraph 2.3, the main question is: is what is being proposed the minimum that is required to satisfy Moneyval's recommendations and, in that respect, I would like to know if there has been any consultation with Moneyval in production of this report to see that it does satisfy what they want and indeed the Financial Action Task Force. Because it would be very embarrassing if we do all this if they come along next time and say it is not good enough. So how much consultation has there been with Moneyval? Just those two questions.

The Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, sir.

There are areas in this report I have concerns with but equally, obviously, anything to do with Moneyval or FATF I support. But what I find a little bit odd in this report, and it may be me, but if we actually go to page 18 in the report, right at the very top, well in the middle in the first paragraph, this is where it actually states there will be three additional members of staff and it talks about the funding of £135,000.

Yet when we go to page 1 it does not even mention that. It is not asking us to approve staff, it is not saying anything about the costs, which is an unusual report because we are usually asked to agree to have three additional new staff, so we could vote against that and we could say we agree with all of that, but we do not agree, you will have to do it in your current resources. We are not in that position to do so and this is a rather odd list of recommendations and proposals before us, because it does not actually say at the beginning. I am a little bit perplexed, really, why that is not there as one of the reasons to ask the States to decide.

Most of the other things I agree with. But I would not have agreed with the three extra staff. No I am not prepared to give way at the moment, thank you. So therefore I think that really

should have been at the beginning because, as I say, we could have voted against that part if we so chose to do.

But I certainly agree with some of the areas that have been listed in here. Certainly, from my experience on various charities over the years, there is no doubt about that. We have been warned about money laundering by Law Enforcement, from a particular individual who was approaching charities to supply money to the charity and, as we know, all charities, especially the smaller ones, if they feel there is somebody there knocking on the door to say, 'We would really like to support your charity and we would like to give you some money, we have got this fund and we would like to be able to do that,' they would probably want to grab it with open arms. The directors that were on the board were very astute to the potential of money laundering, hence why they contacted the Police, and said, 'Yes, steer away.' That is being investigated at this moment in time.

So again, if you are a smaller charity and perhaps you have not got those sorts of people on your board, there is no doubt about it that the potential is there for money laundering with some of these small charities. Also the definition of a charity, because they are not set into different sections and, years ago, you set up a charity, for what I would class as real charitable reasons; whether you were providing a service or whatever, you were there for that.

But I mean, you look at those lists, and I am not going to knock any of them, but if you look at those lists, they are not charities. They have been registered as a charity for tax purposes but they are not there as what I would class as a real charity and it is worth Members having a look at those lists, because there are many in there and I do raise questions as to why ... there should be different categories or why they are all in one group. I can remember the Association of Charities actually wanted to look at that to see how they could address that to help and put it into different categories, not only for the tax reason but also, to get some of those charities to be able to work together to share resources.

Because the bigger charities are restricted. They are not necessarily able to do that because they might be an arm of the UK charity or somewhere else and they have to stay totally on their own. Whereas, as I say, some of the smaller ones, whether they use the same building or whether there is somebody answering their phones, all of those things have been looked at in the past and unfortunately have not been able to come to fruition for various reasons.

So yes, I do support anything to make sure that our reputation in Guernsey is absolutely as squeaky clean as possible because, again, just thinking of another situation of where we were approached as a group of people, who somebody wanted to be a fundraiser for a particular charity but they did not want a committee. And the charity that was approached said to have a fundraising person they had to have a committee for good governance. That particular person declined because he did not want to be with a committee, he wanted to be just a fundraising person and not have anybody question what he was up to. He was there to raise money.

Again it is making sure that there is good governance in some of these charities, that they are very careful of what they actually do because our reputation in Guernsey has to be protected as much as possible, so I support most of what is in here but I do not actually support the three extra staff. I think that is totally over the top and the funds required for that.

Thank you, sir.

The Bailiff: Deputy Soulsby.

Deputy Soulsby: Thank you, sir.

This is the sort of policy letter that I do hate. More red tape, more cost but no direct benefit to the people of Guernsey and I will expand more on that later in this meeting. However I do not think we have much choice. Really this is kind of another of those policy letters, often where Government gets blamed for more and more expenditure but where we really do not have a choice if we still want to be recognised as a compliance, high quality, high class international finance centre.

Talking about numbers, various people have spoken. Deputy Lowe was talking about smaller charities, but there is a *de minimis* in here and I think people seem to have forgotten that. It is not for the smaller charities. One thing that is not answered in this is how those charities that might be associated with each other, whether they might, the way they be treated, they might all fall under the *de minimis* and then not have to register or will they be taken together in a group. It will be interesting to know that. Also the numbers involved. We have got no indication from this just quite how many NPOs are going to be affected.

Finally, I would just like to highlight the Deputy Ferbrache comment about regulation. Well I would, wouldn't I? The regulation, which we were very clear was going to be proportionate and appropriate and that is the plan. This is just to remind Deputy Ferbrache that HSC did not actually get the funding in its budget to enable us to bring in that regulation. So that is currently on hold.

The Bailiff: Deputy Prow.

Deputy Prow: Thank you, sir. I will be brief.

I think this debate has teased out a dilemma and certainly there is a dilemma in it for me. If you look at section 2.3 of the Report, where we are told that the Moneyval report on Guernsey compliance to the FATF standards can only be met by revisions to the legislation.

I think Deputy St Pier has expanded on that and made out a case. So I think the case is made out around reputational issues about our responsibilities on anti-money laundering and countering terrorism finance. So I think that part of the argument is well made out by the policy letter.

Deputy Kuttelwascher and Deputy Ferbrache have, and I do agree with them about having to be careful about the extent of regulation and whether they are indeed proportionate, but on the question of Moneyval or the IMS role in this, their role is one of compliance and it is for them to judge whether we are compliant or not.

The way of the world is that jurisdictions need to identify, assess and understand the risks, as well as the specific requirements. So it is the responsibility of this jurisdiction to come up with a regime in this area. So that is on the one hand a very powerful case.

On the other hand, I think Deputy Le Clerc and Deputy Inder, Deputy Dudley-Owen and Deputy Ferbrache have drilled down into the actual practicalities of how this is going to be discharged and how it will be funded and perhaps I have a question around section 9.1, which I think does require a bit more of an explanation. It is the last sentence. It says:

This increased expenditure will reduce the overall surplus of the Guernsey Registry which is transferred to General Revenue by a commensurate amount.

But is that sustainable? I mean is that how it can be coped with in the short-term? And what is the longer term impact of this on our budgets. Of course, as has already been outlined, this does require work to the IT platform, some £300,000. This would be funded through a minor capital vote. But I would ask has this been incorporated into their overall budgeting facilitation as we move forward?

Thank you, sir.

The Bailiff: Deputy Smithies.

Deputy Smithies: Thank you, sir.

I am going to be briefer. I rise just to declare an interest. I am an officer of two charities, which do exceed the threshold for registration, as laid down in 4.3.4 on page 9. I am also the treasurer of a smaller registered charity which does not exceed that threshold, but I do live in hopes that it might.

I am minded to vote against this simply because of the caution which has been raised about the expenditure associated with it. It will not make any difference. I am sure it will pass. But I do await with interest to hear the summing up in response to the points raised by Deputies Le Clerc, Inder, Ferbrache and now myself.

The Bailiff: Deputy Trott will reply.

Deputy Trott: Thank you, sir.

There are a number of things that I think are worthy of replying to but I think many of the questions posed during this debate have already been asked by others, but I think that if anyone can be allowed an element of tedious repetition, it should be the person who is summing up, in order to make sure that all the issues are collated together in one place.

So we will start with Deputy Gollop. Deputy Gollop commented that he works with people who are of the highest standards within the third sector and of course, in the overwhelming majority of cases, that will be true for all our experiences. However, as section 4.5.1 tells us on page 11, there are currently no requirements in the Law for the fitness and propriety of owners, i.e. beneficial owners, shareholders and similar, controllers or directors of NPOs, or the controlled exercise in relation to those NPOs.

Such individuals might have very significant control over the use of assets of an NPO. So whilst we would be inclined, I think, generally speaking, to entrust these people, we have no idea to what extent their authority extends and part of this environment is to ensure that those issues are understood, particularly with the larger organisations.

Now he accepts, as many have, and this is fundamental, that we must adhere to international standards. So let us be clear, right from the word go, anyone who votes against this and creates an environment where we are unable to adhere with international standards, severely jeopardises the outcome of any future review by Moneyval in a way that could have very significant consequences indeed for the manner in which our international financial services are considered by the international community.

Deputy Gollop also mentioned Mrs Le Page and referred to the running of a jumble sale and he will know, having read one of the earlier paragraphs, 1.3 I think it is, that she would fall below that. She would be below the *de minimis*. Deputy Le Clerc got the issue around funding going and I am grateful for her for raising it and I think she knew that the answer was contained within paragraph 9.1 and others have referred to it. Because in paragraph 9.1 we are told that the increased expenditure will reduce the overall surplus of the Guernsey Registry, which is transferred to general revenue by commensurate amount.

Now the Guernsey Registry is a particularly efficient source of income for general revenue. It makes, I think, a net £8 million or £10 million a year and therefore it is self-sustainable. So, whilst there is an impact on general revenue because, as a consequence of these measures, potentially less revenue will be transferred across, there will be no increase in expenditure, as far as our general revenue account is concerned. It will simply be that there will be less revenue coming across.

These revenues are very substantial indeed and it is one of the success stories, in my view, of the last 20 years at the Registry. Something that I was very proud to open, incidentally, sir, during my time as Chief Minister. I recognised then, as many others did, that it would be an excellent division.

But of course it is run well and these are additional measures and these additional measures cannot be covered within the existing staff levels, because it is a productive and efficient organisation. They do simply not have enough time in the day to take on this as well. Hence the requirement for additional staff.

It is clear to me, though, that the take-on phase will be more time-consuming than the maintenance phase. It is ever thus in these sorts of projects. So the questions around whether that level of staff will need to be maintained in the maintenance of this registry are, I think, valid, and I

think the logical answer is it is unlikely that those numbers will be required moving forward, once all of the take-on is complete. But that will be a matter, of course, for the management of the Registry, who understand their workloads better than any of us.

2150 Deputy Inder was inclined not to support aspects of this policy letter. As I and others have said, failure to do so could well jeopardise our international standing. Whilst, in answer to a question from Deputy Ferbrache, to my knowledge there have been no material abuses within the non-profit sector, there is considerable evidence elsewhere, where entities of this nature have been used for the financing of terrorism and it is those behaviours, the behaviours elsewhere, that drive international standards and it is those international standards that we are adhering to.

2155 Deputy Dudley-Owen asked how costs might be reduced and I would hope I have answered that, in that I do think the initial phases are likely to be more expensive than ongoing, for the reasons I have said.

2160 Deputy McSwiggan was supportive. She did suggest that there might be one rule for one and one rule for another. I do not accept that. I think this is an example of a very tidy solution. But it would be the same solution within the Registry. If they were having to take on additional Registry duties, that would be funded from within their very considerable contributions to general revenue.

2165 Deputy Le Tocq and Deputy St Pier drew our attention to paragraph 2.3, which explained the driver being our desire to maintain international standards for the reason said. Deputy Merrett asked how much is raised by the third sector. I do not know precisely and I am not sure anyone does, but one thing is for sure. You can measure it in the hundreds of thousands, rather than the tens and Deputy St Pier and I believe that we have heard reference elsewhere to the number being north of £200 million. Evidence of just how generous this community is as regards its charitable donations.

2170 I think she asked what the cost of not doing it are. Well the costs are not doing it are huge because the consequences are potentially a review by Moneyval that suggests that we do not meet international standards. That is the situation that I am sure no one in this Assembly would wish to see. But I think Deputy Kuttelwascher asked two particularly relevant questions. He said is this the minimum to adhere to international standards? I would answer it by saying probably slightly above the minimum but it is absolutely not gold plating.

2175 How can I be so certain? Well the second question he asked was has any consultation taken place with Moneyval and others have said the consultation is when the assessment is carried out. We are fortunate to have within our team an international Moneyval assessor. A man who is literally at the top of his game. A man who is aware of how international standards are deployed elsewhere and what is necessary in order to ensure compliance. He is a primary author of this particular States' Report. So hopefully that will be comforting for Deputy Kuttelwascher.

2180 Deputy Lowe, sensibly, supports anything that ensures our reputation is squeaky clean as a jurisdiction and that is, of course, the driver for this. Three extra staff are needed because, as I have said earlier, these are new duties and they cannot be done from within existing resources. Neither should we expect that to be the case, unless of course we believe that the Registry has a significant productivity deficit, which I do not believe it does.

2185 I think lastly, Deputy Soulsby said there is no direct benefit. I knew what she meant by that but she would be one of the first to understand that the direct benefit is ensuring that the major driver of our economy, financial services, remains internationally compliant and that we are able to say, as we certainly can now, that there are few places better to look after our international clients' money in terms of the standard and competency of our industry than Guernsey and I would hope, sir, that all Members of the Assembly will be able to support this policy letter for that reason, if for that reason alone.

2195 **The Bailiff:** There are 13 Propositions. Nobody has requested a separate vote on any of them so I put all 13 Propositions to you together. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare them carried.

POLICY & RESOURCES COMMITTEE

**IV. BBC Over-75 Licence Scheme –
Extending Relevant Parts of the Communications Act 2003 –
Debate commenced**

Article IV.

The States are asked to decide:

Whether, after consideration of the Policy Letter dated 21st November, 2019, of the Policy & Resources Committee, they are of the opinion:-

1. To agree that section 365A, and such other provisions of the Communications Act 2003 as amended (including as amended by the Digital Economy Act 2017) relating to TV Licence fee concessions by reference to age as it may be necessary or expedient to extend, should be extended by Order in Council to the Bailiwick with such modifications as appear to Her Majesty in Council to be appropriate, following consultation with the Policy & Resources Committee.

The Deputy Greffier: Article IV, Policy & Resources Committee, BBC Over-75 Licence Scheme – extending relevant parts of the Communication Act 2003.

2200 **The Bailiff:** Deputy Le Tocq will open debate on behalf of the Committee.

Deputy Le Tocq: Thank you, sir.

2205 To give some background to this Assembly, as a result of a concessionary scheme that was brought into the UK over 20 years ago, I think it was one of the first amendments that I laid, with former Deputy Roderick Matthews, a similar scheme was brought in for over-75s in 2001 here in Guernsey.

2210 The UK government's decision in 2015 to transfer responsibility to the BBC for both setting and funding of the UK's Over-75 TV Licence Concession Scheme from June 2020 – as a result of that the States made similar arrangements with the BBC in December 2016. When we agreed to transfer the responsibility to the BBC, to align with the decision in the UK, we also agreed transition arrangements to share the cost of funding the scheme between the States of Guernsey and the BBC during 2018 and 2019, prior to the BBC taking full responsibility for setting and funding the Over-75 Scheme for Bailiwick residents from 1st June 2020.

2215 The current scheme is not a universal scheme. The States has already resolved in 2015 to close the scheme to new entrants, which came into effect from 1st September 2016. Separately, however, the States does fund the provision of a TV Licence to Guernsey and Alderney residents over pensionable age, currently 65, who are in receipt of Income Support. This ensures those most in need continue to receive the free TV Licence in the absence of the universal scheme.

2220 In June 2019, the BBC announced its decision on the future of the Over-75 Scheme for UK residents. From June 2020, the universal benefit will cease, but a free TV Licence will be issued to any household with someone aged over 75 who receives pension credit. The BBC's decision does not automatically extend to the Bailiwick and therefore the broadcaster must make a separate decision regarding any future concession scheme for Bailiwick residents, as per the agreement we reached with the BBC in 2016.

2225 The UK Digital Economy Act 2017 amends the UK Communications Act of 2003, with effect from 1st June 2020, to provide the BBC with the necessary powers to set the policy for the provision of any age-related concessionary TV licences, including the power to amend the eligibility criteria for any such concession.

Parts of that Communication Act, including provisions relating to TV Licensing, already extend to the Bailiwick by Order in Council. So the States are now asked to approve the further extension of relevant parts of the Communication Act, as amended by the Digital Economy act, to provide the BBC with the necessary powers to set the policy for the provision of any age related concessionary TV Licences within the Bailiwick, ensuring Bailiwick residents are treated on an equal basis to UK residents.

This would enable the BBC to fulfil the commitments it made in 2016, when agreeing to take the responsibility for setting and funding the over-75 age concession. Preliminary discussions have been held with the BBC, which has signalled its continued commitment to the principle of equal treatment for all British Licence Fee payers, including Island residents.

Guernsey and Alderney do not have a benefit which is directly equivalent to the UK's pension credit benefit. The BBC would need to consider this as part of its decision-making on any future concession scheme to apply to the Island. It is important to note that the decision about the scope of the scheme to be applied to the Bailiwick will be a matter for the BBC board. The BBC has also indicated that it will not make a decision about the over-75 concession scheme for Bailiwick residents for the period from 1st June 2020 until it has the necessary legal authority to do so.

The transitional funding arrangement previously agreed, which has seen the BBC and the States of Guernsey share the cost of the Over-75 Concessions, ends in 2020. Without the extension of section 365(a) and any other necessary related provisions, the BBC would not offer any further funding to Bailiwick residents. This would result in the closure of the existing Over-75 Scheme, which was closed to new entrants in September 2016, unless a new scheme were to be established and funded by the States of Guernsey.

However, given the Committee for Employment & Social Security currently operates a separate scheme for those over pensionable age, currently 65, on Income Support, it is expected that the cost of providing free TV Licences to residents over 75 years of age in Guernsey and Alderney, who receive Income Support, would fall into that Committee in the absence of any future BBC funding. In other words, if the States did not approve the extension to this Act.

So, sir, there is one Proposition put before the Assembly today and I encourage Members to support it.

The Bailiff: Deputy Gollop.

Deputy Gollop: Sir, I have a little bit of history on all of this because I could be the last surviving Member in the Chamber of the old Broadcasting Committee, the States' Broadcasting Committee, which I think its functions were transferred to the Home Department. But here, curiously enough, Policy & Resources are coming before us.

I also was a Member, with Deputy Le Clerc and some others, and Deputy St Pier, of the Tax and Pensions Benefit Review project team of the last States, which may have a resurrection, depending on how we go today or tomorrow. I do not know.

One of the joint proposals that privately I was most unhappy with but I think collectively I agreed with, for solidarity at the time, was the decision to take away the freebie licences from the senior citizens in Guernsey – not just because it was a slap in the face of people who had expected that universal benefit and who perhaps, if they are lonely, find the media very comforting, but because of course it was the kind of issue, politically, that actually is of low spend, compared to some of the things that we throw money at, but is of high impact, in terms of its political resonance.

I can see, on a bigger scale, the United Kingdom have been struggling with this one, with different perspectives from different Prime Ministers. If one can believe the media, Mr Johnson, the new Prime Minister, is thinking perhaps of maybe restructuring the licence down the line.

But I think from a Guernsey perspective, one has to remember that although the licence is specifically for those who use TVs and I am regularly lobbied by people in the street who object to paying it because it not only just applies to using a terrestrial television set, I think regardless of

whether you watch BBC or not, but also now with BBC iPlayer and things, they object to it. But of course they forget that Guernsey gets a disproportionately good deal from the BBC; not only in terms of coverage for a small community, but also in terms of BBC Channel Island News and BBC Radio. For a community of our population size, we get an enormous resource.

2285 That does not mean to say this is entirely satisfactory, because this is an unusual example, and something Deputy St Pier and others warned us about a year or so ago, of the necessity of being consulted about policing UK legislation. This we are doing and we are likely to endorse it but we are still effectively side players, a side show to a UK debate, which is played on different turf, really and different criteria.

2290 I am intrigued with paragraph 1.5, though, being a Member of course of Social Security, which says:

Outside the scope of the over-75 scheme, the States of Guernsey funds the provision of a TV licence to Guernsey and Alderney residents over pensionable age (currently 65) who are in receipt of income support.

It seems to me that parallel to the tax credit that has been alluded to by Deputy Le Tocq, but moreover, if one starts to think about this and maybe this is something for the next Committee, or social policy generally, and uprating, it is a little bit of an anomaly that we support a TV Licence to
2295 Guernsey and Alderney residents who are over pensionable age and who are in receipt of Income Support, but perhaps not those with disabilities who are struggling in other ways and are also in receipt of Income Support.

And so, this started as a kind of gesture politics of Britain giving the older, senior silver citizens an extra treat. Now if we are taking a more targeted approach, based upon need rather than a universal *panacea*, regardless of assets or use, then that is the kind of thing that needs to be considered.
2300

But I would not want, if I could possibly avoid it, for Guernsey residents to be treated less favourably than their UK counterparts. We are going to have a huge debate on drugs funding, which looks at the issue on a life and death situation but on this situation I think this policy letter is sensible as far as it goes, but I doubt it is the end of the story.
2305

The Bailiff: I just wonder how many people did wish to speak on this and whether we can conclude the debate before lunchtime. Can I just have an indication of how many wish to speak? One, two, three ... I know we have quite a busy agenda. I put to you the proposition that we conclude this before we rise for lunch. Those in favour; those against.
2310

Members voted Contre.

The Bailiff: We will rise for lunch! *(Laughter)* I just thought I would try.

*The Assembly adjourned at 12.30 p.m.
and resumed at 2.30 p.m.*

**BBC Over-75 Licence Scheme –
Extending Relevant Parts of the Communications Act 2003 –
Debate continued –
Proposition carried**

The Bailiff: We resume debate on the BBC Over 75 Licence Scheme.

Deputy Roffey.

2315

Deputy Roffey: Thank you, sir.

Before lunch Deputy Gollop was bemoaning the fact that this was yet another piece of UK legislation to be extended to the Islands, but the reality is it is entirely up to us. If we object to that in principle then we do not extend it and the whole cost of any concessions that we want to bring in for elderly Islanders in relation to their television licences will fall on the Guernsey taxpayer. But if we expect the BBC to help out in the way that they have rather got bullied into doing by the UK government the last time their charter was renewed, then we have to extend this clause. On balance I put practicality ahead of principle here and will vote to extend it.

2320

But the main reason I was rising to my feet this morning was just a minor point of correction that Deputy Le Tocq said that we had a system of free TV licences for people on Income Support who were above pensionable age or state pension age which is currently 65. That was true when the policy letter was written; of course it is no longer true – Guernsey's State pension age is 65 and two months, just for the record.

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2330

The Bailiff: Deputy de Lisle.

Deputy de Lisle: Thank you, sir.

I would like to see all residents over the age of 75 in Guernsey receiving a free TV licence whether they receive Income Support or not. It may encourage more to reach that age which would be a good thing.

2335

Guernsey Social Security have already denied newcomers 75s that benefit. Just why when I understand that the BBC is paying for the concession in this last harangue? It is not quite clear to me as to why we would not be supporting totally during this period up to June 2020, because currently the BBC has agreed to pay the tax concession to Islanders up to 1st June 2020, I thought.

2340

Deputy Le Clerc: Point of clarification, sir.

The Bailiff: Yes, Deputy Le Clerc.

2345

Deputy le Clerc: We are continuing to pay, a combination of ESS and the BBC – I think it is outlined in the policy paper – until June 2020. It is after that time that there will be approximately 3,000 people that will no longer qualify and it will only be those on Income Support that will qualify. But we are at the current time paying for those under 75 that are currently in the scheme.

2350

Deputy de Lisle: Thank you for that clarification.

The BBC of course indicated that it will not make a decision about the over-75 concession scheme for Bailiwick residents beyond June 2020 until it has the necessary legal authority to do so through this Chamber.

2355

However, I think it is important to point out that the TV licence situation for over-75s has yet to be resolved in the UK. While the BBC has decided to revoke free TV licences for over-75s except for those claiming pension credit benefit, the UK government argues, however, that decision to honour free TV licences was taken in 2015 when the BBC won agreements from the UK government estimated to be worth £700 million, including in that £700 million an extended charter period and also an increase in the licence fee, and they would no longer pay for the

2360 broadband rollout. So the package was agreed at that time and they would continue for UK residents over 75 to have that free TV licence.

The Conservative Party pledged also to continue free TV licences for over-75s in its manifesto for 2017 in the General Election and the government expect the BBC of course to continue this concession.

2365 We need to hold off, I think, giving legal authority given this impasse and uncertainty in the UK. The Prime Minister said also the BBC should cough up and pay for TV licences for all over-75s; the BBC received a settlement that was conditional upon their paying for TV licences for the over-75s.

2370 But there is actually another factor also in holding back on extending the Communications Act before us. PM Boris Johnson called the TV licence fee a general tax and that should be enough really for the Bailiwick to consider very carefully this situation which in many eyes would mean that it is fairly unconstitutional across the board for Islanders to pay.

2375 So to conclude I would just like to make the point again: I think we should hold back on giving the BBC the legal authority through extending the Communications Act at this time. At the very least await for the PM's decision on whether to have Parliament decide in favour of the over-75s' free TV licence.

I will not be supporting the States giving legal authority through extending the Communications Act at this time, given the uncertainty in the UK with regard to this policy area.

Thank you, sir.

2380

The Bailiff: I see no one else.
Deputy Le Tocq will reply.

Deputy le Tocq: Yes, thank you, sir.

2385 I thank Deputy Roffey for his gracious correction before, which I accept.

Deputy de Lisle normally is encouraging us to make savings and encouraging no new taxation of that sort, so his desire to extend this further, which would inevitably mean if we were not to vote in favour of this Proposition today that it would fall on this Assembly to raise the funds necessary, would do exactly the opposite of what he was arguing for earlier this morning. So, sir, I do not understand his logic at all in that.

2390 Certainly in terms of waiting for the UK Prime Minister to bring propositions to Parliament to enable this to proceed, well rather him than me, sir, in that respect.

2395 Sir, it is just a very simple thing here: we need to extend the Act in question to enable the BBC to have the powers to come up with a similar scheme that would operate here in Guernsey so that it will be fair. Any further changes that might occur in the UK we would have to consider in due course.

I ask this Assembly to vote in favour of this Proposition.

The Bailiff: It is a single Proposition. Those in favour; those against.

Members voted Pour.

2400 **The Bailiff:** I declare it carried.

POLICY & RESOURCES COMMITTEE

**V. The Review of the Fiscal Policy Framework and Fiscal Pressures –
Debate commenced**

Article V.

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'The Review of the Fiscal Policy Framework and Fiscal Pressures', dated 25 November 2019, they are of the opinion:

- 1. To adopt the Fiscal Policy Framework and its Principles as outlined in Section 5 of the Policy Letter.*
- 2. To direct the Policy & Resources Committee, in consultation with all States Members and further to public engagement, to conduct a review to ensure that Guernsey's tax base is capable of raising sufficient revenues to meet long-term government expenditure needs in a sustainable manner within the boundaries of the Fiscal Policy Framework.*
- 3. To agree that the review should be conducted in accordance with the Terms of Reference and methodology laid out in paragraphs 3.16 to 3.20 of the Policy Letter and be presented to the States for consideration by no later than June 2021.*

The Senior Deputy Greffier: Article V, Policy & Resources Committee – the Review of the Fiscal Policy Framework and Fiscal Pressures.

2405

The Bailiff: Deputy St Pier.

Deputy St Pier: Sir, in this policy letter the Policy & Resources Committee is presenting proposals for a revised Fiscal Policy Framework.

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This Framework was first introduced a decade ago and it represents the highest level of fiscal policy in Guernsey and is really a set of strategic principles which form an envelope within which the States' finances should operate. These principles are designed to endure across multiple political terms to promote stability and consistency in fiscal policy.

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Members are asked to remember that this forms the first tier of several layers of fiscal policy, with each layer operating at a sequentially shorter timescale. So for example, the Fiscal Policy Framework proposes an upper limit on States' revenues. It does not set any restraints on how this money is collected from our community, which is a matter that should be addressed by each successive States in the four-yearly Medium Term Financial Plan. Neither does it dictate how these resources should be allocated since that is a function of the annual budget cycle.

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These various layers of policy should work together to set progressively more detailed fiscal policy objectives, and we are here today to discuss our strategic level objectives and not the Medium Term Financial Plan or the minutiae of annual budgeting.

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This review was prompted by the revision of GDP in late 2017, which together with the implementation of the first phase of the progression towards the adoption of International Public Sector Accounting Standards, necessitated the framework's first full review.

The proposed principles are, I hope, fairly self-explanatory. They retain the theme of general fiscal prudence setting a guiding principle of long-term permanent balance – and I am sure we will debate that further and what that means if the amendments are debated.

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In summary, the fundamental principles of our fiscal policy mean that: we should not spend more than we earn in the long term; we should limit the size and extent of any deficits; we should place limits on the amount of revenue we can raise from our economy, not least to maintain our essential status as a low tax jurisdiction which is so critical to our economic success; we should commit to maintaining the Island's infrastructure through managed capital investment; and we should limit the amount of debt liability that we place on the economy.

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There are two principles which are worthy of particular mention.

The first I would like to deal with is the one which posed the Policy & Resources Committee's biggest challenge in developing our proposals. It was also by far the largest point of discussion at the workshops held with States' Members in developing the framework and that of course is in relation to capital spending and investment in infrastructure.

2440 Members will know that we have consistently failed to meet the 3% of GDP target set in the original framework. Even in years when we have managed to set aside enough money for capital spending, we have not managed to progress a sufficient number or scale of projects to spend it. In only one year, 2012, did we actually manage to spend the requisite amount and this was only achieved because there was an overlap between two substantial capital projects: the work on the

2445 Airport runway rehabilitation and the rebuild of Les Beaucamps High School.

I do not think anybody will argue that we need more capital investment in infrastructure than has been achieved in recent years – direct capital spend has averaged only 1% of GDP over the last four years. However, it is also apparent that it is impossible to maintain the level of capital spend implied by the former criteria of 3% of GDP. Financial considerations aside, we simply do

2450 not have the management and resource capacity to sustain the projects implied by that level of investment.

Neither is it evidence that we need to spend at this level; we do not wish to spend and to promote spending for spending's sake. Expenditure of any sort must be justified and cost effective and financed in an appropriate way; and the way in which we support capital spending has

2455 changed significantly with more capital investment being made via the commercialised or trading entities at arms' length from Government and outside the scope of our direct capital spending.

So, recognising the feedback from those who attended the workshops on this matter, we are proposing a more achievable minimum level of expenditure of 1.5% of GDP, with the emphasis being that this is the minimum.

2460 In addition to this we are proposing embedding the requirement for a continuous medium-term review of capital expenditure needs into the framework. This will bring adherence to our plans for infrastructure spending within the scope of the proposed four-yearly external review making this subject to external validation and scrutiny.

The second of these principles is the limit placed on aggregate States' revenues which is intended to provide guidance and surety to the community regarding the *maximum* amount the States *could* raise to pay for public services. Whilst this principle does not specify how revenues *should* be raised or what services *should* be provided, when the limit on aggregate revenues was first added to the framework in 2015 it was deliberately set to allow headroom to manage the

2465 known pressures on our expenditures which relate mainly to the ageing of the population and the resulting burden placed on pensions, health and social care services as a result.

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Nothing has really changed in this regard since 2015, other than now we have a greater clarity on the quantum of those longer-term fiscal pressures, including: climate change policy, long-term care funding, the final resolutions of which are becoming increasingly urgent; funding the old age pension. Since 2011 – the first year in which the number of people turning 65 exceeded those

2475 turning 16 – the amount we spend each year on the old age pension has increased by 42% and will continue to grow; changes to the policy for funding of NICE drugs and treatments – which of course we will be debating later at this meeting; introduction of a secondary pension scheme which will reduce tax revenues in the short to medium term; and access to primary health care.

This Assembly will be considering policy letters on each of these issues in due course which will

2480 all undoubtedly have merit in their own right but will also have very significant implications for the necessary size of our Government in the long term. Their financial implications will result in a substantial change to the scale and distribution of costs borne by individuals and the productive economy.

It is worth emphasising that these specific issues are *in addition to* the baseline expenditure pressures which will rise due to the unavoidable demographic changes as a result of the ageing

2485 population and the attendant increase in the dependency ratio – namely reduced tax revenues accompanied by increased health and care spending.

In addition we are intending to shortly submit a policy letter for consideration which reports on the findings of a review which we commissioned of the myriad of public service employment terms and conditions, together with any recommendations to ensure that remuneration to employees or for employees is based on principles of equity and fairness.

Finally, we also need to ensure that we can fund an appropriate level of investment in our capital infrastructure that I mentioned earlier and of course replenish our reserves.

As set out in the policy letter these pressures are estimated to total between £79 million and £132 million per annum over a period of five-10 years, building over that period. Bearing in mind that our 2019 revenues were in the region of £720 million these pressures represent somewhere between 11% and 18% of our current revenues.

Let's be very clear: we do not currently collect enough revenue to cover the additional funding requirements that will arise if all these policy changes are approved. We may be able to find temporary funding for these – as of course is proposed for the NICE drugs and treatments – but in the long term the decisions we take on these policies will require us to raise more revenues from the economy through Government taxes and charges. If we remain committed to balancing our long-term budget any increase in spending will need to be accompanied by an increase in the amount that the Government takes out of the economy – whether by fees, charges, contributions or taxation.

Measured against current estimates of GDP there is approximately £84 million of available headroom within the proposed limit on revenue – this is some 2.5% of GDP. However, if we do not remain cognisant of the cumulative effect of our decisions in the coming months our successors in this Chamber would need to run up to or even beyond this limit in order to fund the expenditure commitments we make. Nothing is free. We must remember that every expense we commit to now we commit the next Assembly to finding a long-term sustainable source of funding for it and doing so within the limits we set today.

The key question that needs to be addressed is: what level of public services should be provided and how much tax are we prepared to take out of the economy and from the community in order to provide them?

At this point I am going to briefly repeat an extract from the speech that I made when presenting the 2020 Budget to the Assembly in November last year and I said this:

I should point out now that Guernsey's tax take – the contribution required by Islanders to pay for the public services we all utilise every day – remains relatively small as a proportion of the economy – 21% of GDP in Guernsey – compared to 26% in Jersey, 38% in the United Kingdom and 53% in France. If we are to meet the increased demand on public services, we are going to need to raise additional revenues. Like any organisation, particularly large organisations, the States will contain examples of waste – some of which will no doubt be egregious. I do not condone that and we must continue to identify those examples and work to eradicate them. And we must absolutely continue to drive with determination and rigour benefits derived from the transformation of the delivery of services. However, we do our community no service at all pandering to a popular narrative that all their current needs – and more in the future – can be met costlessly for them, either by simply slaying a mythically inefficient spending dragon, or by finding someone else to pay more in taxes. But on the other hand too, we cannot use the real, systemic upward pressures on public services as an excuse or cover to fund all manner of new expenditure – and in the process soak Islanders with an increased tax burden. In other words, there is a balance to be struck. Where we choose to strike it, is a matter of subjective judgement that will be criticised by those who think it should have been struck either higher or lower. These are difficult and unpopular messages to deliver – but I am not afraid to deliver to them.

And I stand by those words.

Due to our relatively and comparatively small and exceptionally narrow existing tax base, there is very little opportunity to raise additional revenues from the current structure. The scale of revenues required to fund emerging policy cannot, and should not, be met from 'tweaking around the edges' of the existing system; a series of small, unco-ordinated and opportunistic tax increases would not raise sufficient revenues or create the most efficient and equitable outcome.

To put it in context a 1% increase in the headline Income Tax rate – i.e. from 20% to 21% – would raise only £13.5 million of additional revenues. Raising the headline rate of Income Tax will never be the solution. Especially if we keep in mind that the pond from which we are fishing is and

will continue to shrink as the proportion of dependents to economically active will continue to grow. Before anyone criticises me for having a go at pensioners, I emphatically am not. They are not the problem. The problem lies with the growing number queuing up behind to join them, including in my generation, with fewer in the generations behind mine to support us. *(Interjection)*

There is an ongoing commitment to public service reform, including a programme of service design initiatives to improve operation efficiency freeing resources which can be used elsewhere. We must – absolutely must – deliver on our commitment to the community to deliver and ensure that those transformations do unlock benefits both financial and non-financial. Initiatives such as the reform of health care funding and the modernisation of the Princess Elizabeth Hospital provide opportunities to make more effective use of existing resources and mitigate some of the upward pressure on healthcare costs.

In addition, the transformation of education programme identified net annual savings in the region of £2 million a year.

In addition economic growth resulting in real-terms' increases in employment, earnings and company profits will provide *some* of the additional revenues – so the news published last week that our economy grew more strongly in 2016 and 2017 at 3% and a stellar 4.6%, respectively, is very much to be welcomed. Whilst that is feeding through to higher tax revenues than we originally budgeted, we must be realistic that it can only form part of the solution – it is not the magic bullet.

Notwithstanding the mitigating effect of efficiency savings, transformation of service delivery and economic growth, there will be a shortfall in the revenues required in order to fund the emerging policy initiatives, if they are all to be progressed. *(Interjection)* Therefore, it is proposed to initiate a review of potential long-term options to ensure that the tax base has the capacity to raise the amount of revenues to meet long-term needs in an economically but also importantly in a socially sustainable and fair manner. This will incorporate consideration of options for generating additional revenues from the taxation of company profits; the existing Income Tax and Social Security contribution system; a health tax; and the addition of general or limited consumption taxes to the tax base.

The review must also investigate options for the implementation of any recommended measures in such a way as to minimise the economic impact of changes to the tax structure and provide analysis of the financial, economic and social implications of any options proposed.

We need to protect and enhance our economy which generates the income, employment, profits and consumption from which our tax revenues are raised. This includes ensuring that Guernsey remains competitive and an attractive location for business; continuing to protect Guernsey's status as a low tax jurisdiction, maintaining tax neutrality whilst remaining internationally acceptable in an era when international standards are shifting, and shifting fast.

Therefore the terms of reference for the review will preclude the consideration of any form of capital taxes which are considered incompatible with Guernsey's status as a finance centre.

As Benjamin Franklin said:

In this world [of course] nothing can be said to be certain, except death and taxes

– and both are equally unpopular with the public.

We cannot expect the recommendations of this review to be welcomed with open arms but we do need to take the public on this journey with us so that they fully understand why it is taking place, become engaged with the process, and are consulted and communicated with as it progresses, culminating in the next Policy & Resources Committee presenting its report for consideration to the States no later than June 2021.

Sir, in conclusion, I would like to highlight the importance of having a clear and simple set of high level principles to guide fiscal policy over the longer term. They are intended to promote prudent fiscal behaviours across multiple States' terms, sending a strong signal of Government's commitment to the community, business and future investors in our economy, whilst ensuring

that each Assembly will have the freedom to set more detailed fiscal policy to suit the prevailing conditions and political will.

2580 When considering expenditure proposals we must be cognisant that Government spending is funded by local people and local businesses – no one else – it is not just that we need to consider whether we wish to introduce or expand a service but we also need to consider whether and how we can responsibly fund it. In other words, there is a need to evaluate and prioritise what the community would like against what we are willing to ask the community to pay for.

2585 We need to take a strategic view, look beyond the electoral cycle and agree clear principles to underpin long-term fiscal prudence and put in place a cohesive approach to raising revenues in a sustainable and equitable manner in order to fund prioritised services.

2590 I want to finish upbeat – because I *am*. I am actually confident that we can have it all; we can meet the needs of our community whilst ensuring we remain a competitive, low tax economy with a fair distribution of the tax burden. To do so though is going to require the same planning and discipline as the States has exercised in the last eight years. It may be dull, it may be painful but it is effective. It is what has helped us deliver the stronger economic and fiscal performance that we have experienced in recent years.

I ask Members to support the proposals.

Thank you, sir.

2595 **The Bailiff:** Now we have two amendments conveniently marked amendment 1 and amendment 2 and we will take amendment 1 first.

Deputy Roffey, amendment 1.

2600 **Deputy Roffey:** Thank you, sir.
May I have it read please?

The Bailiff: Yes.

The Senior Deputy Greffier read the amendment.

The Bailiff: Deputy Roffey.

Amendment 1.

At the end of Proposition 1 insert:

", subject to the amendment of Principle 6 by addition of the following at the end:

"and 2% per year averaged over any 8 year period"."

2605 **Deputy Roffey:** Thank you, sir.

2610 One thing is absolutely certain no one can deny that we have failed to meet our 3% of GDP Rule on capital spending in a fairly dramatic and spectacular way. Indeed we have just spent a fraction of that – to the extent that I did wonder whether it was worth putting any amendments to any of these Rules or even debating them because when they are passed if they are not convenient we simply ignore them anyway. That has certainly been the history as far as this particular Rule is concerned; not all of them, I have to say, but this particular Rule. But I decided to bury my cynical side and decided that this time round we really meant it and going forward we were determined to follow the high level rules that we are setting for ourselves. So I have
2615 approached it with that attitude.

But I do think it has been a huge shame that we have so badly failed to meet our expectations and our targets and indeed our rule on capital expenditure for two reasons. Firstly, it means that we have not really been maintaining a modern and efficient infrastructure, and, secondly, less important but still extremely important, I think that it has let down the local construction industry.

2620 Now reading the policy letter, P&R seem to have two reasons for cutting the target – I say target; the minimum, I accept that it is a minimum not a target but cutting it – to 1.5%. The first of those reasons is the change at which we calculate Guernsey's GDP and the second, seemingly reading the narrative, is that they think recent history has shown that the original target was simply unrealistic. Actually I think there may be a third reason as well and that third reason is making it easier to meet principle 1, Balancing the Budget, but again I will suppress that cynical thought and focus on the other two.

2625 Sir, on changes to GDP calculations and the way that those changes have inflated our original target for capital expenditure I have to agree completely with P&R. I mean the 3% target was set when GDP was calculated one particular way; we now calculate it slightly differently, it tends to lead to higher results therefore it has, by the stroke of a pen, actually inflated the amount that we are aiming to spend on capital works and that makes no sense. So I certainly support them as far as that is concerned, and accept that it means some moderation to the target is required.

2630 But on the second presumption that the original target was just too ambitious, if that indeed is what P&R really think, then I profoundly disagree. Sir, there can be two different reasons for failing to meet a capital spending target. The first is that the target was unrealistic and the second is simply that there has been a considerable failure of Government to perform – a woeful failure to invest in its own infrastructure in a way that any successful business, or indeed community, simply has to do if they want to thrive in the longer term. I am glad the flights are running now.

2635 To my mind what we have seen in recent years is clearly the latter. We have shamefully failed to invest properly in updating our infrastructure. Now I could not disagree more with the social media pundits who condemn one State after another as the worst State ever. I do not think that that is correct. I think that by and large Guernsey's Government has functioned reasonably well over recent years. But when it comes to the specific issue of capital spending then the record of this Assembly and indeed the previous two has been woeful.

2640 So, sir, I think that P&R's suggestion to slash the target in half, albeit only as a minimum requirement, is an overreaction. Let me address the fact that it is only a minimum requirement, that the proposal before us says something along the lines of, 'Spending whatever is necessary to meet the legitimate needs of our economy and community etc. with a minimum of 1.5%'. So you could spend 5% or 6% if that was regarded as a minimum. But if you are going to mention figures at all, I mean it is a bit like speed limits I suppose, you can either just say, 'Drive according to the conditions,' or you can say, 'Drive according to the conditions but no faster than this'. If we are going to put in a sum which actually directs us to where we should be, in the right ball park, then I think it needs to be the right figure and I do not think this is the right figure.

2645 So my first thought was simply to substitute the figure, well, either the figure 2% or 2.5% for the 1.5% in the proposed Rule, and because it was only a minimum requirement and did not stop us spending more I was going to opt for 2%. So why did I change my mind and put the amendment in a slightly different form? Well because the Rule as written applies to each four-year term rather than a long-term average and four years is quite a short ... in the real world it is quite a long time but in the world of government it is actually quite a short time horizon.

2650 One thing that recent history has taught us is that there can be periods of a few years when actually very few good capital projects come forward that require funding. Now in those circumstances the last thing that I would like to do is to have a fiscal rule which basically induces a dropping of the bar resulting in funding of schemes of dubious merit just to meet a target that says the minimum is 1.5% over a four-year period. Because in that four-year period few good schemes come forward; I think we need to question why but nevertheless I think we should not actually change our standards.

2655 Frankly, I am fairly sanguine over whether capital spending is say 1.5% in one four-year term so long as it is brought back to a healthier 2% longer trend by spending 2.5% of GDP on capital projects in the following Assembly. Ideally, it would be consistent because that is the best for sustaining a competitive and efficient construction industry rather than have fluctuations but actually even that is not altogether true because Government is only a part of the demand for

construction industry and really what we should be doing is upping our investment in public sector works when there is a dearth or work from the private sector and actually reducing slightly when it is very active in the private sector and when you tend to have less competitive tendering. I have never known the States to actually achieve that. We have been saying that since we are blue in the face and since Pontius was a Pilate and Barry Paint was only an apprentice but we never do it. But that is another reason for actually framing it this way rather than saying 2% every year, because I think sometimes you do need to box clever and suggest it.

But the bottom line is we are talking about long-term trends in long-term investment so we should not be hidebound by too restrictive a rule.

One the other hand, I just think I am convinced that capital investment which could be as low – I know it is only a minimum but this Rule says it can be as low – as 1.5% of GDP going forward year after year each four-year term until the year dot, is just too low. It does not reinvest sufficiently in the infrastructure that we need to secure long-term prosperity. I think 2% is an awful lot more realistic.

It is a matter of judgement; it is also a real question mark over whether whatever figure we put in, the future States will take a blind bit of notice. But I am assuming because we are debating it today we have to take it seriously and believe that they will, and if they will I think we ought to put in a proper figure for investment and even with the reflat GDP 2% per annum actually works out less, there has not been a 50% increase in the GDP as a result of the recalculation, it is actually dropping down from where we were 10 years ago when we brought in the 3% Rule, and the fact that we have not met it is not an excuse for not trying to do so in future.

So I recommend this to the States.

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

Deputy Green: I do, sir, and I reserve the right to speak later.

The Bailiff: Okay.

The Alderney Representatives have landed. Do you wish to be relevé both of you?

Alderney Representatives: Yes. Sir, thank you.

The Bailiff: Right, you are relevé.

Deputy St Pier, do you wish to speak on the amendment?

Deputy St Pier: Not at the moment.

The Bailiff: Not at this stage.

Deputy Inder then.

Deputy Inder: It is unlike, through you, sir, Deputy Roffey to lay an amendment in such a lacklustre way in an amendment he appears not to believe in, to change something that he does not think any future States is going to adhere to anyway! *(Laughter)* So it is one of the strangest amendments I have seen because usually he is quite bolshy about these things, but he seems rather negative about his own amendment and the consequential policy letter.

So unless I hear from Deputy St Pier when he tidies up, which may not affect my decision anyway, I am not really too sure how I might end up voting on it.

But I do want to pick him up on something. We will talk about the size of the state later when we get into general debate but Deputy Roffey concentrated on the words capital expenditure. The problem I believe that we have got, one of the great problems that we have got in this Island is the maintenance of existing infrastructure. **(Several Members:** Hear, hear.) If I remember correctly, and this is through Deputy Paint, I believe E&I in the last term only had £50,000 to

maintain the walls, our walls over the Island in the last term. Now that has been rectified. Vazon looks fantastic, other works have been done along the coast and we are actually where we should have been 15 or 20 years ago. The problem is the expense is the maintenance of the existing capital.

I took a trip around the Dairy the other day and I can tell where I am being led by the nose to have something pulled down. It was fairly clear to me that we are being told that that place needs to move at some point and we are likely to see a policy letter at some point that may well make some kind of recommendation that that site has to move. In my genuine opinion I would encourage anyone to go in there with their eyes wide open and see how the state does not maintain its capital. I personally do not think, looking at it, that there is much wrong with that building but we will be driven, either this Assembly or the next Assembly, down a route to remove the Dairy from there.

It is not about the expense to the capital, it is the maintenance of the existing infrastructure. *(Interjection)* Sorry, I beg your pardon. Sorry, it is about the maintenance of the infrastructure and I could mention the markets, I could mention the old Beaucamps School, I could probably mention La Mare de Carteret over the past 10 or 15 years. These things have been left to effectively fall apart and I genuinely believe it is criminal neglect of public assets.

I asked, and I am sure Deputy Parkinson will not mind me saying, I asked him why this happens and I think what he said, and I am happy for him to interject, he said effectively – he did not quite say it like this – in effect it is easy not to maintain something because it never comes out of the budgets of the committees. If you maintain something now it comes out of your committee revenue expenditure – Is that correct? **(A Member:** No.) Oh, well I beg your pardon. I cannot actually remember what he said but it seemed to make sense at the time. But the fact remains that the maintenance of our capital is an absolute disgrace.

I really do not think we should be in a position where we should be agreeing something that we have never maintained in the first place. The real question that needs to be asked is: why are we letting our infrastructure get into such a state?

So back to the actual amendment itself. I am still not sure how I am going to vote for it because I do not think Deputy Roffey or Deputy Green particularly believe in their own amendment and they want to attach it to a policy letter that they think the Rules are going to be broken within a week.

The Bailiff: Deputy Ferbrache.

Deputy Ferbrache: Sir, there is an old saying a little knowledge is a dangerous thing and *(Interjection)* Deputy Inder has just given an example of that in relation to the Dairy. But we will move on from that. *(Laughter)*

The point that he makes generally – *(Interjection)* I have walked around it several times, thanks. The point that he makes generally though is a good one in that the States by and large over a long period has not – and it goes back from when I was first in the States in 1994 – maintained its properties and its investments as well as it should. But that is by the by.

Where I agree with him and disagree with Deputy Roffey is that this amendment brought by Deputy Roffey and Deputy Green is completely pointless, because paragraph 5.29 of the report – which I think generally is an excellent one and I will speak more about that in general debate – says this is a minimum of 1.5%. In other words, you have got a failsafe figure, but if the Island is doing well and if there are sufficient monies in the budget, monies put away for your savings, then it might be 2.5% or it might be 3%. It will depend on what is available at the time.

So this to me is Deputy Roffey trying to achieve something – the Election is not far away – saying we are going to help the Guernsey construction industry, which of course we should, and we are going to even out the capital investment at which we have been appallingly bad over the last four, eight, 12 years and we are going to do something about it.

2775 Well we can do something about it within the terms of the existing policy letter without genuflecting and grandstanding towards the electorate in June of 2020.

The Bailiff: Deputy Paint.

2780 **Deputy Paint:** Sir, we have not got enough funds to pay for our requirements.

In olden days when Deputy Roffey in a previous life was Santa and Deputy Green was Rudolph (*Laughter*) people managed to build a harbour down there and I do not the expense but 160 years it has lasted right 160 years. What we should be doing is not spending when we do not have to. We are spending huge amounts of money on consultants that very often come to nothing; we are
2785 spending on consultants when we have many experts in many fields here and we rarely really have to use them; we are spending on ideologies (**A Member:** Hear, hear.) which is not wise; we are spending on vanity projects which are not wise. All this spending is unnecessary and we would be able to fund most of these things if we stopped doing these things. I know we have to progress but we do not need all the help that we get or have or ask for.

2790 I am sorry, sir, I have said this before and I say it again, if we want to get anywhere we have got to be very careful how we spend and I would sooner be careful how we spend than how we are taxed.

Thank you, sir.

2795 **The Bailiff:** Deputy Green.

Deputy Green: Sir, yes, just very briefly.

I support this amendment for the obvious reason that the original unamended Proposition is that the principle should be 1.5% over a four-year period and this would extend it to a 2% per
2800 year average over the eight-year period. So I do not think it is entirely pointless, as Deputy Ferbrache says.

But to address the points that Deputy Inder was making, the obvious logic of what he was saying is that there should more maintenance done by the States on its existing assets. Well this amendment would actually facilitate that better than the original Proposition that you had before
2805 it because of that greater flexibility that it would actually offer.

But Deputy Roffey is surely right, sir, in what he said. The existing Rule that we have had of 3% of GDP has been more honoured in the breach than in the adherence. The States has consistently failed – other than in 2012 – to achieve anywhere near 3% of actual spending on capital projects and the Rule is to actually spend the money on capital not just to put it into an account and say
2810 that is for capital spending. That is not actually adhering to the Rule.

So Deputy Roffey is surely right when he says that we have failed magnificently over the years to actually achieve that and as a result we have not maintained a modern and effective infrastructure as a result.

But I think there is a problem with the existing Proposition which is that it is set out as 1.5%
2815 but I do not think that there is a lot of evidence or a lot of analysis in the policy letter before us to actually justify why it should be 1.5%.

So the alternative in this amendment is actually producing not only a higher potential minimum spend for the longer term, it is also more ambitious and when you bear in mind the fact that we have quite a backlog of existing rehabilitation, equipment replacement and maintenance
2820 works that need to be done on an ongoing basis and also the very many transformational projects that we have got that are going to rely at least in part on heavy capital investment, to have a target that is so manifestly unambitious does not actually fit in, does not actually chime, does not actually square with an awful lot of the rhetoric about transformation and about going forward with a kind of Future Guernsey proposal.

2825 So on that basis, sir, I would say there is much to commend this amendment and I would ask Members to support it.

The Bailiff: Deputy Gollop.

Deputy Gollop: I support the amendment and congratulate Deputy Roffey for bringing this one and the next one to come, because I certainly could have done amendments but they do require a lot of time and effort and, as Deputy Roffey has intimated, there is an argument as to whether they will actually make any meaningful difference to the Assembly at this juncture and in this context because the very nature of this process seems to me to be about kicking the can down the road for the next Assembly to grapple with the issues.

I got to my feet because Deputy Inder kind of inspired me with his views as to why we have got into this state and he mentioned the Dairy as an example. But of course it is actually because there has been probably not enough money in the public sector. I mean Deputy St Pier's boast or pride perhaps, more appropriately, that Guernsey does not have the taxation spend of the UK or France or even Jersey, probably the Isle of Man as well, is in one sense a good thing from the point of view of the collective pocket of the Guernsey family but has led to maintenance and minor capital projects and other initiatives being put back and put back.

One only has to think of, I do not know, disability access to Castel Cornet, for example, or what to do about Asterix the Roman wreck, just two examples at random (*Interjection*) of projects that if we had £40 million surplus a year would probably have made the cut.

There is a shortage of money structurally in the system and I think I will return to that in more general debate. This particular amendment is timely because it enables us to have a more robust attitude to capital expenditure and if there is a term that for one reason or another there is not a lot of decisions made, we can average out a higher total than Policy & Resources wish to see over the period.

I think we are playing the numbers a little bit. We were criticised by Professor [inaudible] and his associates perhaps for not spending 3% within our fiscal framework on capital and then we kind of say, almost Gordon Brown style, 'Oh we will change the rules,' because as we have changed the rules for GDP and therefore our economy is bigger than we need to spend we can change the indices.

Now that is a rather simplistic view because I think from an infrastructural point of view Deputy Inder would expand his argument beyond the sea wall and the Dairy to include the Harbour, the very nature of looking to our future and where we are going with the future of shipping; another issue could be the runway.

I know Deputy Paint has already made a strong plea against vanity projects and ideological projects, but some of us quite like ideological ideas. I do not know about vanity projects or follies but we want to actually create a legacy and develop initiatives, whether they be from active travel to arts and culture to sports to whatever. Those elements tend to hit the buffers when times are hard.

I mean in a way we have had 15 years of austerity. First of all, we had Deputy Trott's successful Zero-10 policy initiative and had to adjust our economy accordingly. Then we had the austerity credit crunch era that we weathered successfully. Then we had the FTP era and the eras of budgetary lack of surplus, shall we say.

Now I think we have really got to look at where are we going. Perhaps you will forgive me if this sounds a little bit trite, but I could almost paraphrase what is the main line of Policy & Resources – and I do not know what Islanders or 2020 people or anyone else thinks – but this is kind of the main line that we are hearing if I put it in less polite phrases. We need more tax to pay for the public sector, public services, in a way the Civil Service. We cannot sensibly tax capital expenditure and offshore, so we cannot have a go at richer people and poorer people do not have enough, so we are taxing the squeezed middle. We have got to find a way out of that. Perhaps that is more a subject for the general debate – (*Interjections*)

The Bailiff: I think so, it is. I think you are straying into general debate.

Deputy Gollop: But I think the first initiative is to support Deputy Roffey's amendment because the only thing I disagree with what he said was he said that we have never actually successfully managed the economic wave in perhaps a Kenzian style I would say we came close to it in the era when Deputy Trott conjured up the economic model. I suppose was the Board of Industry era, because I think that period was on the cusp of going into recession and we did commit ourselves to many projects, including the Performing Arts Theatre, at precisely the time the credit crunch came and reserves were getting poorly and we managed to sustain the building industry despite the dramatic loss of revenue due to the corporate tax reforms.

So I think the eight-year timeframe bearing in mind the history of this with the FTP and the corporate transition is better than the P&R approach.

So the amendment is worth supporting.

The Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Sir, just quickly.

I will not be supporting this amendment because I do think it is pretty pointless because you have to remember that the 1.5% being proposed in the policy letter is a *minimum*, it is not a *maximum*. So what is the point of choosing another figure. You could in a particular year spend 4% or 5% if you had it. So I do not really think there is any point to it, I really do not.

As an aside, I think linking our capital expenditure to GDP itself is flawed because of our general taxation policy where companies' normal rate of tax is 0%. We could have a massive increase in GDP with absolutely no increase in general revenue. To me, for our jurisdiction and the way we operate, our capital spend should be linked to our revenue income. It may not be anywhere else, but so what, I thought we were an independent jurisdiction. We do not have to copy everybody else. We do not even have to compare ourselves with anybody else.

So I really do not see the point of this amendment and for now I will be supporting what is in the policy letter.

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

I think Deputy Kuttelwascher makes a very good point (*Interjection*) in that – I did not mean to sound surprised, (*Laughter*) I just, I do think there is a good point: because of the way in which we tax company profits, and to a larger extent do not or do not in the same way that other jurisdictions do, there is not as much of a link between GDP and tax revenues in Guernsey as there tends to be elsewhere, so linking capital expenditure to GDP is slightly odd.

My lack of enthusiasm for fiscal frameworks and fiscal rules is a matter of record; I do not intend to labour that in this debate because I accept a majority of the States seems to like the idea of a fiscal framework. But what concerns me slightly about the original Proposition on capital expenditure is that the proposal is a minimum of 1.5% – and I accept Deputy Kuttelwascher's point that it is a minimum – but over the last 10 years the amount achieved is an average of 1.4%. Now I thought the narrative was we have not been spending enough in infrastructure over the last few years (**Several Members:** Yes.) and if that is the case I cannot really see the point – even though it is a minimum it effectively would be saying to the Policy & Resources Committee and their successors that it is an acceptable level of capital expenditure, and if the narrative is correct that capital expenditure has been lower in recent years than it should have been, then setting the minimum policy at 1.5% does seem to me slightly dubious and that 2% which actually is more in line with the existing policy but with the recalculated GDP added in seems a more sensible policy.

Now I agree with those Members who have said, 'Does it really matter because it is a policy and if the reality does not conform with the policy then it is a bit of a superficial debate and the tendency of the States in the 10 years the fiscal framework has existed has been that if any part of it is inconvenient at any time it is ignored and nobody bats an eyelid?'

So I do have some sympathy with those points, but it seems to me that the most consistent minimum policy, the policy that is most consistent with the prevailing narrative around capital expenditure is 2% rather than 1.5%.

Before I sit down I would just say something in relation to the point Deputy Paint made about the building of St Peter Port Harbour. I was reading a report the other day about how much public anxiety there was (*Interjection*) before the construction of that harbour and the prevailing public view appeared to be at that time that it would never work, that it would be commissioned and the whole Town would be flooded and the engineers did not know what they were doing and it was unworkable.

A Member: Just like the schools!

Deputy Fallaize: I think maybe there is a relevant consideration for us in that today.

But I am disposed towards Deputy Roffey's amendment, although I am actually in sympathy with those Members who say in practice it probably makes no difference.

The Bailiff: Deputy Brehaut.

Deputy Brehaut: I tend to favour proposing one harbour over two sites (*Laughter*)

Infrastructure means different things to different people. The road investment – money spent on roads has gone up: we used to spend just under £2 million, we now spend in excess of £3 million. Telecoms investment is in private hands but there is fibre in the ground, telecoms is improving, GEL have invested in a cable link with France, so that infrastructure investment is out there and it is real and it is happening.

More recently there has been an increase in expenditure on sea walls and sea defences, but I think it is wrong to think there is a golden age of maintenance and replacement that people assume has been there. If there is, for example, a slipway failure and I will go the library or the records will come up to Raymond Falla House, you will find a file that thick and it is a patchwork; every time it was a repair meant to get people through the next five- or six-year period, there was never the longer-term view and that is the legacy I think that anyone with this role will continue to pick up in the years ahead.

Deputy Paint is right to say there was £50,000 allocated on coastal defences; that went up, but that was a legacy really of the flawed, on reflection with hindsight, the manner in which the fundamental spending review and the FTP was applied to capital projects. I can understand why at the time it was considered to be a saving and again living in the now like we do but of course if it is expenditure deferred it is still expenditure. Nobody who built, for example, the Mare de Carteret School in the 1970's imagined that in the 21st century it would still be there, but it is.

Deputy Paint also said that the Harbour, our ancestors built it and it has lasted 160 years. It has but it needs a huge, a *huge* amount of money spent on it. It is not fit for purpose and we know that and of course we know that because whilst Deputies Inder and Paint may wave the finger at others talking about expenditure and consultations, their requête secured £800,000 to have consultants crawling over the Harbour and round that vicinity to see what works actually need to take place.

Deputy Kuttelwascher: Point of correction.

The Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: It was not really their requête that secured that it was an amendment to the requête that secured it.

Deputy Brehaut: That is true. Yes, that is right. I will raise a glass to the pedants later on but you are absolutely right.

2985 But I will say on that that we will be facing another requête that says a 10-year moratorium on spending on infrastructure soon, with a minimum of maintenance to get us through. So if people want to see investment in infrastructure they have really got to mean it.

2990 I support this amendment because I think it is giving a modest but a clear statement. I never imagined for one moment that I would be leaving office to find the Fermain Wall in the condition it is in and that says as much about our intent and our processes because it was a significant piece of work and I worry actually that when the full assessment comes to this Assembly for the reprofiling of the cliff and the great deal of work that needs to happen, it might be one of those where people say, 'Do we really want to spend that much money now? Do we really want to do that or do we do what we have got a history of doing which is a patchwork quilt type repair that gets you over the next five or 10 years?'

2995 But I support this amendment.
Sir, thank you.

The Bailiff: Deputy Merrett.

3000 **Deputy Merrett:** Thank you, sir.

I have a lot of sympathy for this amendment and I will pose a few questions which I hope that Deputy Roffey and Deputy St Pier, I believe, is going to speak on.

3005 I am a bit confused as to why Members are saying it is pointless if it is a minimum of 2% rather than 1.5% because there is no maximum. The point of this amendment is to make sure there is a minimum of 2%. So you are using reverse psychology: if there is no maximum it does not matter; no, this is trying to put in a minimum which is 2% so it has to be a minimum or no less than 2% of GDP so it is actually putting in a defined minimum which is higher than the defined minimum as proposed by P&R. It makes no difference to the maximum.

3010 Now the reason I have some sympathy for this is the eight-year period because ... and I would like them, when they sum up, to give me their opinions on if that could potentially help having an eight-year period of what we seem to find ourselves in a bit of feast and famine when it comes to capital projects if actually they can be programmed over a longer period of time, over the eight years, and the 2% over eight years, if that could help in any way, shape or form.

But then I do not understand, sir, because the original Principle 6 says:

Total capital expenditure over any States term ...

3015 – being the four years, but the amendment says 'over an eight-year period,' so what the States' terms four-year, so is that consecutive four years like a rolling four years or a rolling eight years? My counter argument to my own argument with the eight years is does that allow the States sitting for a four-year period to be accountable because we are trying to aim for a 1.5% minimum or a 2% minimum and how are we going to hold the States sitting in that period of time accountable?

3020 I will give way to Deputy Kuttelwascher.

Deputy Kuttelwascher: I thank Deputy Merrett for giving way.

3025 I think what she said adds to some of the confusion in people's minds. The Proposition does not say a minimum of 2%, it says and 2% per year. Then you look at the explanatory notes and it refers to a minimum of 2% but we are not voting on the explanatory note; the actual Proposition in the amendment is 2% period.

Thank you.

3030 **Deputy Roffey:** Just on a point of correction, sir.

The Bailiff: Deputy Roffey.

Deputy Roffey: The original, if I may – (**The Bailiff:** Yes.) Principle 6 ends saying that:

... capital expenditure by the States should average no less than 1.5% of GDP per year averaged over a four-year period ... and 2% per year average over any 8 year period.

So the 'no less' applies to both sums actually when those words are added to the end of that paragraph. (*Interjections*)

Deputy Merrett: Okay I still haven't got that determined but I am sure Deputy Roffey can pick that up for me when he sums up because there does seem to be a little bit of confusion.

So those are the only things I have to add to the debate. I am at this stage, sir, persuaded to vote for the amendment because I do believe that the level of investment we have done in our infrastructure and, as Principle 6 says, the need for long- and medium-term investment has been poor. I have looked at many of the capital assets of the States and I am disappointed – and that is putting it very mildly – at the condition that they are in. Obviously when we do not maintain things and they devalue it costs more in the long term. So we know there is a problem here and we know we need to try to rectify it and I think acknowledging the fact that actually we need to have more minimum spend or 2% spend is actually a way forward rather than a minimum of 1.5%.

So therefore unless I hear otherwise, unless Deputy St Pier can convince me otherwise and he may do so, I will be supporting this amendment.

Thank you, sir.

The Bailiff: Deputy Tindall.

Deputy Tindall: Thank you, sir.

I was not too sure about supporting this amendment simply because I think, as mentioned before, 1.5% is not a great aim and this just reinforces it, or it does in my mind, the words are quite clear that it does mean it is 2% per year averaged over any eight-year period, not less than. I do not see any problem with the wording in that, but it is that message that I find a little bit concerning. However, it is better than what it is at the moment.

But for me I think the point here is that, yes, the spending has been woeful but I question whether it is because there has been a lack of identification of capital infrastructure projects but more to the difficulties that are faced in getting these projects over the line.

As Deputy St Pier identified, we do not have the staff to enable this to happen; we are having problems in the Hospital modernisation project and I understand the same in the schools plan, in so far as that there are no internal staff, we have to go to consultants and it is all extra effort and cost. So this process is certainly not conducive to allow this idea of having a flow which can stop and start depending on the private sector's work flow.

Also Deputy Paint talked about vanity projects and I think Deputy Brehaut mentioned; what is a vanity project for one is a sensible and valued endeavour for another. So this to me leads perhaps to the reason why we have not spent on capital projects, it is because those projects have not been approved by the States and allowed to progress to an early conclusion. It has been that stop-start at this stage as well.

So whether it is 1.5% or 3%, it seems to me the priority should always be a willingness to spend and to invest in our infrastructure. That is why I think that overall, sir, I will support this amendment.

Thank you.

The Bailiff: Deputy Parkinson.

Deputy Parkinson: Thank you, sir.

3080 Yes, clearly the record has been pretty woeful: 2012 was the only year we hit the 3% target and I was a Member of the States at that time and was pleased to see that we were investing the amount we had told ourselves we should be investing. This last four-year term the only capital project of any significance that has been undertaken has been the Waste Transfer Station and that is a pretty poor return for four years of Government effort.

3085 Members will recall that in the Policy & Resource Plan, I think it is Priority 21, is to create a long-term infrastructure investment plan and I do not know where that is, I do not know when we can expect to see it. The Scrutiny Review Committee in 2019 last year undertook or launched a review to try and understand why things were not working and it is quite clear that it is not for lack of money because the States has access to a lot of money, and it is not for lack of projects.
3090 There are a lot of things that need to be done.

We know why the schools project has been delayed, the Health reinvention of the Hospital is on its way and there are other projects in the pipeline but for some reason despite having the money and despite having the need for capital investment it has just not been happening. I can only say that, it seems to me, comes down to us, essentially, and Government processes. We have
3095 simply not been able to make it happen. That is something I think the public rightly criticise us for. I think in one *Press* headline we were referred to as the 'States of Inertia' or something like that, and sadly there is a lot of truth in that criticism.

Now as to this amendment I am going to support it because I think actually it is a statement of ambition. Yes, of course it does not ultimately bind any future Assembly, they will do what they
3100 want, but if we do not at least express the ambition and the political will to try and speed up investment, to reduce the obstacles to capital programmes, to simplify or streamline our processes and to actually start to make things happen then they will not happen.

We have got years now of experience of sitting here with nothing going on, piles of money to invest, lots of things we could be doing, and we have to make the political commitment, express
3105 the will to actually make this happen or it will not.

I do not know what the current state of the capital programme is; when I last heard about it there were hundreds of millions of pounds of projects on the chocks in the future, ready to go or just distant dreams, and they probably did not include a whole load of other things that many of us would be interested in developing – renewable energy projects, cables to France or whatever.
3110 The list of possible investments is actually enormous and it is up to us, the Assembly, to make it happen and to provide the leadership to create results.

So the difference between 1.5% and 2% is in a way semantics, but to me it is a statement of intent, it is a statement of ambition.

That is the reason I am going to support it.

3115

A Member: Hear, hear.

The Bailiff: Deputy St Pier, do you wish to speak just before Deputy Roffey replies?

3120 **Deputy St Pier:** Yes, please, sir.

Yes, I think the point which Deputies Kuttelwascher and Ferbrache understood and nailed is that this is clearly simply a minimum. It is not a target and it is not a limit.

We and indeed those that follow us will be free to spend more should it be appropriate for them to do so. But the point is they should not be spending less, that is the purpose of having
3125 expressed it in this way, and I am going to return to that again before I finish.

Really emphasising the point that I made in my opening speech, we should not be creating a framework and a set of conditions that encourages spending just to meet a target and neither is it a good idea to be putting money away for capital investment if we have got no plans to spend it, and that is a point which I think has recurred through a number of Budget debates recently.

3130 Secondly, this part reference to the Principle relates to the fact that we are funding things out
of general revenue in other words from the Capital Reserve and of course increasingly a lot of our
capital spending now is coming from other sources. So the Guernsey Housing Association has of
course made a substantial investment in our infrastructure, in our social housing stock over the
last decade or so, with funding provided by a loan from the States of Guernsey Bond and of
3135 course Guernsey Electricity, as I think Deputy Brehaut mentioned, has recently invested some
£30 million in a new inter-Island cable.

So Guernsey's total investment in core infrastructure goes a long way beyond what we simply
spend on general revenue and I think actually there is a lot of talk about woeful spending. Well,
yes, it is against what was a 3% arbitrary target based on an international standard of the OECD,
3140 but is our Island infrastructure so woeful? Yes, there have been some examples of where we have
failed to deliver maintenance on, for example, sea walls, but is it a correct characterisation of the
Island's infrastructure to describe it as 'woeful'? I am not sure that that is quite right. *(Interjections)*

I think the main focus of the Principle should actually be the first part and it is worth
emphasising and reading that out.

Total capital expenditure over any States term should be maintained at a level which reflects the need for long and
medium term investment in infrastructure ...

3145 In other words, we need to spend what we need to spend. This means that we need to develop
our processes for establishing what investment we actually need in the medium and long term
and make sure that we are then resourcing our programme effectively – a point that Deputy
Tindall touched on.

The framework specifically states that the infrastructure plan of the medium term capital plan,
3150 again which has been mentioned by Deputy Parkinson, the infrastructure plan, do need to be
developed so that we identify this level of need and then the Medium Term Financial Plan (MTFP)
should then make provision for delivering it.

Going back to the whole framework as a whole, we then expect the external review to
scrutinise whether our processes are functioning effectively to ensure that our capital investment
3155 requirements are being appropriately identified, prioritised, managed, resourced and then
delivered. I think that is the point which Deputy Merrett was touching on really: why the four-year
period, which would tie into the Medium Term Financial Plan, ties into the term of the States so,
yes, we can be held to account. That is precisely the point.

I think the wording of the amendment is ambiguous. I think the fact that there is the absence
3160 of no less before the 2% per annum does lead us to assume that it is a two-part test, no less than
1.5% over a four-year period and then that we must achieve 2% over a five-year period; it
becomes a harder target because there is not the absence of that reference to a minimum.

I just want to examine this question of why we are missing, why we are failing to spend. It is
easy to cite process and there was a term that I think both Deputy Tindall and Deputy Brehaut
3165 landed on: it is process which is preventing spending. Well let's take the example of the Fermain
Wall; it has been left in the state it has for quite some time but that is not through a lack of
process, it is because of a lack of the capacity to manage and procure all of that project around
the entire Island at the same time, but also it is a lack of the capacity of the industry to supply
what we need in that timeframe. It has got nothing to do with our internal capital processes; there
3170 are other barriers to it.

Our willingness to spend. If we think about the other things which have not happened, perhaps
our biggest part of the capital programme over the last couple terms has of course been in
relation to education. Of course both the last States and this States have prevented the delivery of
that part of our capital programme because of the political direction in relation to education more
3175 generally.

Deputy Brehaut was right to cite also the political process is seeking to impede through a
requête which is due to be debated later this term in relation to, for example, the L'Ancrese Sea

Wall as well. So again do not blame process, do not blame officers and officials for this; it is very much, as Deputy Tindall said, the willingness to spend of elected Members of the States of Deliberation.

Let me also give you another example, the community hub, the desire to try and get some members of staff out of two wholly inappropriate buildings, Lukis House and Swissville, and to bring them together so that they can start working together; that project has gone round and round and round as criteria have been changed and different people have had different views, and a lot of that has been political rather than anything else. So I think we need to be honest with where some of the barriers lie to this.

I would rather have a rule that is something that we can be held to account for, going back to Deputy Merrett's point, and something that is realistic and pragmatic as the 3% clearly was not the right number, it did not reflect the nature of our economy and therefore I do encourage Members to support that.

There is absolutely nothing stopping us spending 2% or more, as we have said in relation to the fact that this is a minimum.

I think Deputy Green's point about this not being ambitious ignores the first part of that principle, repeating it again, total spending:

... should be maintained at a level which reflects the need for long and medium term investment in infrastructure ...

We need to spend what we need to spend. That is a statement of ambition in the first part of the principle.

I want to really conclude with ... Deputy Parkinson said well the difference between 1.5% and 2% is 0.5%, it is semantics, but again I think we need to remember, going back to where I opened my speech, sir, on this, where this fits in at the highest level of our fiscal policies. The difference between 1.5% of GDP and 2% of GDP is around about £16.5 million a year; 1.5% of GDP is about £49.5 million, 2% is £66 million. So if we determine today –

I will give way, sir.

Deputy Dorey: I thank you for giving way.

I just wondered if you could clarify, which will help me in voting, what effect this amendment or your proposal will have on the proposed transfers to the Capital Reserve each year.

Deputy St Pier: I perhaps should not have given way because that is what I was coming to, but I am grateful to Deputy Dorey for framing the question in that way, because I think it is important that we keep in mind the cascade of how the framework should interact with the Medium Term Financial Plan and then ultimately the annual Budget.

I think it is important to bear in mind that if Principle 6 says that we need to be spending 2% over an eight-year period then that needs to then feed in to the Medium Term Financial Plan so logically you would be saying, well, actually as part of our long list of things that we need to be funding over the next period now, the next eight-year period, we need to be accounting for that as well.

So yes, I think it will add to our expectations and our planning assumptions in relation to the responsibility of the next Policy & Resources Committee. As they think about the tax review they are going to have to think about, 'Okay, well actually we need to be thinking about an additional £16.5 million each and every year that needs to come out of the economy to help us to achieve that target.' Whether it will be achieved or not is another matter, it comes back to the delivery, the willingness and the ambition of others to deliver projects, but in terms of the Medium Term Financial Plan then feeding in to annual Budgets I absolutely do think it will have a hard impact and that is not, I would suggest, just semantics.

So I think Members do need to be aware, and I think this was really Deputy Paint's point, that this does and will have a real impact ultimately. That is the purpose of having the framework after

all. We should not just regard this perhaps, as Deputy Fallaize has suggested and some others, that this is really a set of rules that do not really mean much, it is just a set of words on paper that we can ignore. That is not the purpose of the framework, it is intended to provide the discipline and planning that I referred to in my speech to enable us to deliver some very difficult challenges over the next decade or so.

The Bailiff: Deputy Roffey will reply to the debate.

Deputy Roffey: Thank you, sir.

First I would like to deal with this question or this allegation that the amendment is in any way ambiguous because it is not. What it is doing is changing the wording, if it is approved, of Principle 6 set out in paragraph 1.2 which currently reads:

... and direct capital expenditure by the States should average no less than 1.5% of GDP per year averaged over a four year period.

To a new wording that:

... direct capital expenditure by the States should average no less than 1.5% of GDP per year averaged over a four year period and 2% averaged over any 8 year period.

'No less' clearly applies to both. Both admittedly are minimums; the question we have to ask is what is the correct minimum for capital expenditure. We have to ask that because ... I mean Deputy St Pier has put a lot of weight on the first part of Principle 6:

Total capital expenditure over any States term should be maintained at a level which reflects the need for long and medium term investment in infrastructure ...

That is a catch-all he says. Well they could have ended at the end of that and not mentioned any percentages at all and just said, 'We will spend whatever is necessary to actually do that,' but they did not, they chose to put in a minimum as a guidance and so my question before voting for that is am I voting for the right minimum level and I do not think that we are.

As Deputy Fallaize said, it is incredibly similar to the average that we have spent over the last decade. Now if Members feel that we have been spending an adequate amount on infrastructure then fine, we will just have to agree to disagree but I am absolutely convinced that we have not.

Deputy St Pier took me to task for talking about using the word 'woeful'. I am not saying our current infrastructure is woeful, what I am saying is that our reinvestment in that infrastructure over recent years has been woeful, and if we do that for another 10, 20 or 30 years then, yes, our children and grandchildren will end up inheriting an infrastructure that is woeful. I ask him not to put words in my mouth. I did not describe our current infrastructure as woeful but our record of spending in reinvesting in it over recent years has been.

Now Deputy Inder said I did not have a great deal of enthusiasm for this amendment. I have got boundless enthusiasm for this amendment! (*Laughter*) What I did admit was there was a little devil in the back of my brain saying actually what difference does it make in the sense that our past record has shown that the States are willing to actually ignore it, but if we are going to actually vote for something and mean it then I am very enthusiastic about getting that right. (*Interjection*)

Now I think Deputy Inder's speech and maybe one or two others has shown to some extent a lack of grasp about the whole concept of what constitutes capital expenditure. It is not just about shiny new things, it is not just about legacy projects or new things to say that Deputy Le Page managed to build this building when we did not have it before. It embraces all sorts of things. Investment in IT and hardware, etc. is capital investment. I thought that Deputy Inder was quite keen on us actually improving our provision to that extent. New scanners at the Hospital replacing old ones, they are capital investment. Those sorts of things are capital investment. Maintaining sea

walls, yes, that is capital investment; maintaining schools and hospitals and everything else. Maintenance is capital investment. So to say, 'Oh, we do not want to do capital investment. We should be spending the money on maintenance instead,' is a *non sequitur* because the two are the same –

Deputy Inder: Point of correction, sir, I think it is a capital expenditure; there is a difference between building buildings and maintaining buildings.

Deputy Roffey: And maintaining buildings is capital spending; that is the point that I am trying to make here, sir.

Deputy Ferbrache said 1.5% is only a minimum. He is absolutely right: 2% is a more sensible minimum. He accuses me of electioneering. I am not sure if that is worth answering. I am not sure that the Mrs Le Pages of this world on social media are demanding more spending on capital expenditure. I do not think that is top of the electioneering hit list, but I will take that one on the chin, I guess.

Deputies Kuttelwascher and Fallaize both made the point that perhaps tying our capital expenditure to GDP was not a particularly sensible idea. Well actually, I was the one that tried to persuade this States to say when we debate overseas aid spending, 'Is GDP actually the right measure to use? Surely we should be using a percentage of our income to do it?' I did not succeed on that so I did not bother to try ... I know Einstein's definition of insanity so I was not going to try again today. *(Laughter)* Whether this amendment goes through or not we are going to be tying our minimum to GDP and if Members feel that was wrong or is wrong they had every right to bring an amendment to suggest a different formula. **(A Member:** Hear, hear.)

I do not want to go on for too long because we want to get on to the main debate, I know.

Deputy Parkinson I think really sums it up. I think despite my slight cynicism about how closely we are going to be tied to the Rule we pass today and the fact that we cannot tie our successors in any way, we are really making a statement, a high level statement, about how much we think is right to reinvest in our infrastructure; that is both new buildings, maintaining buildings, equipment and all sorts of other things going forward so that the next generation does not inherit the substandard infrastructure but does the same as we had from our forebears and inherits one that is fit for purpose.

I think that 1.5% has been shown to be an inadequate amount and now to embody that, 'Yes as a minimum, but a minimum that is acceptable, a minimum is okay, we have hit that target, we are okay.' It is not okay it is too low. It is a matter of judgement but I invite Members to change that to 2% in the longer term instead.

The Bailiff: Deputy Merrett.

Deputy Merrett: Recorded vote please, sir.

The Bailiff: We will have a recorded vote on amendment 1, proposed by Deputy Roffey, seconded by Deputy Green.

There was a recorded vote.

Carried – Pour 19, Contre 17, Ne vote pas 0, Absent 4

POUR

Deputy Merrett
Deputy Meerveld
Deputy Fallaize
Deputy Laurie Queripel
Deputy Smithies

CONTRE

Deputy Trott
Deputy St Pier
Deputy Stephens
Deputy Inder
Deputy Lowe

NE VOTE PAS

None

ABSENT

Deputy Le Pelley
Deputy Hansmann Rouxel
Deputy McSwiggan
Deputy Tooley

| | |
|------------------------|----------------------|
| Deputy Graham | Deputy Paint |
| Deputy Green | Deputy Dorey |
| Deputy Soulsby | Deputy Le Tocq |
| Deputy de Sausmarez | Deputy Brouard |
| Deputy Roffey | Deputy Dudley-Owen |
| Deputy Prow | Deputy de Lisle |
| Alderney Rep. Roberts | Deputy Langlois |
| Alderney Rep. Snowdon | Deputy Oliver |
| Deputy Tindall | Deputy Ferbrache |
| Deputy Brehaut | Deputy Kuttelwascher |
| Deputy Gollop | Deputy Leadbeater |
| Deputy Parkinson | Deputy Mooney |
| Deputy Lester Queripel | |
| Deputy Le Clerc | |

The Bailiff: Well, the voting on amendment 1 was 19 in favour, with 17 against. I declare it carried.

We will now have amendment 2. Deputy Roffey.

Amendment 2.

At the end of Proposition 1 insert:

", subject to the amendment of Principle 1 by replacing the word "balance" with the word "surplus".

3315 **Deputy Roffey:** Thank you, sir.

I picked up that there were a few Members debating the last amendment who felt it was tinkering and semantics, in which case they are going to absolutely love this one (*Laughter*) because I am the first to accept that it is all about form rather than substance. One of those philosophical questions, what is the difference between balance and surplus, because in theory if one financial outcome is balanced then I suppose five or six quid more every more would be seen as a surplus, so is there a real difference?

3320 Actually, semantics is rife in even considering the original proposal because what does long-term balance mean. What is long term? What is your starting point, what is your ending point? We know, for instance, we run through huge amounts of our reserves because, first of all, bringing in Zero-10, which we had to do, lost us lots of revenue, we expected to fill that through 3% trend growth, we did not because of economic downturn. So if our starting point is now then perhaps we only have to balance the books going forward over the next 10 or 15 years. If our starting point is 10 or 15 years ago then we have to do an awful lot more in order to prove balance over that period.

3330 So I think that Principle 1, whether it is in the original or the amended, is very much a fairly vague statement of intent but a very important one as well.

3335 So I suppose this amendment is born out of my guilt from being a Member of the States for some of the golden years back along when the States had very significant surpluses year by year and to be honest underperformed in building up their reserves, they really did; should have had a much bigger contingency fund, it should almost have been built into a micro sovereign wealth fund which would have been generating, okay, erratic returns but really significant returns and we did not, we spent it, basically. Yes, we put some aside and we did not use so we were more prudent than we had been but we did not do as well as we should have done.

3340 Now I do not think, I cannot see any way of really returning to that situation where we can shovel money in large scale into reserves again. Though I have to say in the early 1980's the situation looked more dire with the declining tomato industry than it actually looks now; it looks far more hard to see how we were ever going to get into surpluses, but the point is we have to look forward and say how will we deal with any particular set of circumstances.

3345 In my view we should be committing, if at all possible, maybe not the surpluses that we had in the 1990's and the early 2000's, but we should be trying to aim for a surplus that consistently

builds our reserves, albeit in a modest way, and the word balance does not necessarily mean that to me.

3350 So while it is seen as prudent and most countries in the world would say they aim for balance in the longer term, I think we can be more prudent and aim for surplus. But I accept ... I am not going to spend a lot of time on this because it is a gesture. I think 1, as it stands at the moment, is a bit of a gesture and mine is trying to say actually what we should mean by balance is generating surpluses and building up our reserves.

3355 Now I am pretty sure that P&R may mean that anyway actually, so I am really not, I think, trying to change what they would like to do. The narrative makes it clear that they are keen to restore our reserves and build them up; I just want the proposal that the principle should reflect that and say as a statement of fact.

It is really down to the States, I am not going to lose any sleep over it but I think I prefer this wording to the one in the Billet.

3360 **The Bailiff:** Deputy Brehaut, are you seconding the amendment?

Deputy Brehaut: I formally second the amendment, sir.

3365 **The Bailiff:** Deputy St Pier, do you wish to speak now?

Deputy St Pier: No, sir.

3370 **The Bailiff:** Does anybody wish to speak now?
Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, sir.

3375 I have got an issue with trying to generate and invest surpluses at the present time because I think in the short to medium term we are in a very high risk financial environment and I say this for a number of reasons. Firstly, we have had a very prolonged period of low and in some places negative interest rates, which is something that has never been repeated in the past, so we do not know quite what is going on.

Secondly, we have had very volatile markets and I think, depending on who you listen to, there is a very high risk that we could suffer another 2008 rather quickly and we could see 20%, 30% of our reserves just wiped out.

3380 Things like the Bond should never be held in reserve; that was there to invest in infrastructure, it should have been spent. The longer it is in reserve the more chance you have got of losing a big fraction of it. I know at the moment the returns we are getting are positive, but that can change ever so quickly and in recent times we have had some real scares, recently the assassination in Iraq of the Iranian general and other things. I have been to the brink before in the time of
3385 Kennedy when he was about to invade Cuba and we got away ... We are on the brink of financial issues at the moment. I have a big issue with what may come out of Brexit. The next 12 months will decide whether we have an agreement or fall off the edge of a cliff. We do not know what is going to happen, we really do not.

3390 The EU itself has got two issues with the Euro which is under risk, the main issue is with Italy who want to issue what they call mini bots or their own bonds which they want to use as a currency, they want a parallel currency which people can buy and then use to pay ... basically undermining the Euro and the Council of Ministers are not happy.

3395 The Germans, since about 2016, have been operating a thing called target balances where essentially Germany is financing all the southern countries which have a problem, including Italy, Spain, Portugal and others. There is a lot of stress going on there.

I do not know why it has happened but over the last three months central banks all over the world have been heavily buying gold bullion and that to me is an unfortunate sign, because for 20

or 30 years everybody was telling you what a pagan attitude that is and it is much better to have a piece of paper with an IOU on it.

3400 So I am actually of the view now that we have a lot of money hanging around, I really would rather spend it as soon as possible on new infrastructure because that could (*Interjection*) generate economic growth and other things. I am not overly keen on short- to medium-term investments, because you can lose more than you will ever get back. I know for pensions and that you talk about generations and pension funds have been surviving wars and everything else, but
3405 we live in a completely different world and I am very nervous about the idea of trying to generate so-called surpluses, especially if it is through increased taxation which could the next day vanish in part.

So I am not going to support this and I will have other issues to talk about maybe later on.

Thank you, sir.

3410 **The Bailiff:** Deputy Gollop.

Deputy Gollop: Yes, sir.

I think I will save up my response to Deputy St Pier from the last amendment to general debate
3415 because it would stray more into the bigger picture.

But I do actually find it interesting, the dialogue we have heard in the debate between Deputy Kuttelwascher and Deputy Roffey because in a way Deputy Roffey has put forward a revisionist argument – and I was one of the States' Members for part of the period as well in the late 1990's and early 2000's – that perhaps we did not spend our money wisely. I remember the feeling in
3420 that period was to spend more on projects that previously perhaps wiser, old, traditional Guernsey States' Members had regarded as not appropriate to the Island. But nevertheless that is what happened and the reality is that had we amassed the kind of sovereign surplus Deputy Roffey alluded to, perhaps we would not have had the Bond issue; but whether that has been a good thing or not Deputy Laurie Queripel and others can debate later.

I think the point of this amendment is that it is surely desirable to have a higher surplus rather than just a balance, for the reasons Deputy St Pier has frequently reminded us, not so much to do with the need for rainy day funds or the need for infrastructural spending – although I get Deputy Kuttelwascher's points there – but simply because we could be on the wrong end unless we have a new selection of thinking about our industrial base, about our population policies perhaps, on
3430 struggling with demographic issues, because clearly we need a surplus in our Social Security funds greater and greater which is related to public expenditure precisely because more of us will get older and require more finance. I seem to require that already.

So the population is going the wrong way. So I can see the merits of surplus but the snag is, as Deputy Kuttelwascher has hinted at, that one of the ways of gaining a surplus which implies more money coming into the exchequer than just to balance is by higher taxation. Therefore are we indirectly voting for what amounts to higher taxation, because with the benefit of hindsight, although the feeling towards Advisory & Finance and the golden era and the Board of Administration is generally benign, I suppose you could argue if you were being quite clever that the Advisory & Finance Committees of their day over taxed people because they were actually
3440 taking more in revenue than what they needed to spend on public services, whereas this implies exactly the opposite that we will engender surplus. I mean there is a lot of speculation in the UK as to whether the new government recently re-elected is effectively going on a borrow and spend initiative or one of more fiscal prudence.

But all of those reservations, I think that to go for a surplus is a clearer mentality than just a
3445 long-term balance because balanced expenditure implies there is a perfect golden mean whereas surplus perhaps is more strongly [inaduble] to prudence.

The Bailiff: No one else is rising.

Deputy St Pier.

3450 **Deputy St Pier:** Yes, thank you, sir.

I think the question is what do we mean by permanent balance. It effectively means that over time we should not spend more than we receive. That is what we are seeking to get to. So averaged over a period of time our bottom line should come out at or perhaps occasionally slightly above zero. This means that if we are going to use our reserves to support a deficit position then they do need to be replenished over a period of time by a surplus. I think we accept that there will be periods of deficit where we need to spend more in any given period or year and those do need to be replenished.

3460 As part of the Medium Term Financial Plan the States did agree a target for the core investment reserve, which is our mini sovereign wealth fund which has around about £160 million-£170 million pounds in it, that that should get to 100% of general revenue income and so we have got some way to go, we have got quite a significant shortfall on that at the moment that needs to be replenished before we have achieved that target. So in a sense we have got to factor that in already.

3465 The core investment reserve is of course our long-term reserve, the capital value of which is only available to be used by direction of the States in exceptional and specific circumstances of severe or structural decline in public sector finances or major emergencies. In other words, a major shock to our economy and our fiscal position that requires us to draw down on that reserve, otherwise it remains closed.

3470 We have clearly acknowledged that substantial levels of debt are not suitable for an economy as small and as open as our own so we do not have the same ability as most developed economies to borrow in those circumstances, so the core investment reserve really is the port of call that we would go to in periods when we do need to rely on running a deficit for a period. In other words, it is those reserves which give us the resilience to our finances.

3475 Transfers into the reserve will firstly replenish of course the funds that were drawn down to support the deficit position as sustained through the transition to the Zero-10 corporate tax regime and the post-2008 global financial crisis.

Further balance also requires that we manage our resources so that we can maintain financial stability under those longer-term pressures as well as addressing those shorter-term shocks. So that is what we mean by permanent balance.

3480 Now I think Deputy Roffey himself has said that in some sense this is semantics, I think the intention I have set out here probably speaks very much to what he was saying speaking to, but I think it is worth just reminding Members if we transfer the amendment into Principle 1, Principle 1 would then read: 'Guernsey's fiscal policy should operate on a principle of long-term permanent surplus.' What does that mean? That means effectively that we will be gearing our fiscal policies to tax more, to take more out of the economy than we need. That is effectively the direction that we will be giving. It is a subtle but it is an important shift from permanent balance, meaning that we will spend no more than we receive.

3490 So I think it is more than a semantic difference and again going back to the challenge that Deputy Dorey laid to me in his intervention in the previous debate, I would expect it to have an impact on the next Policy & Resources Committee as they go through the tax review, they would need to be taking this into account they would need to reflect that in their thinking around, 'Okay, from here on in the States expects us to be running a surplus and we need to be setting our tax levels and we need to be setting a tax structure and a tax base that allows us to run a permanent surplus.'

3495 So I think that is more than is reasonable to expect the community to support. I think the community does expect us not to cut our cloth, in other words, to not spend more than we receive. That is what permanent balance means and we encourage Members to support the Committee's position and reject this amendment, sir.

3500 **The Bailiff:** Deputy Roffey.

Deputy Roffey: Thank you, sir.

Deputy Kuttelwascher started off by saying he could not support a requirement to run a surplus in the short or medium term, which is great because Principle 1 specifically refers to the long term.

Deputy Gollop said that he felt in a way when we built up our original reserves A&F were overtaxing the population because they were taking in more tax than they needed to spend on public revenue. Well I just disagree with that. I mean basically circumstances were providing a potential income stream which we as a community which consists of several generations ... it was falling in our lap and what was happening was that A&F were getting up every year and saying let's have no changes to any indirect taxation, this went on for about seven or eight years because there was no fiscal need to do so. They actually reduced the level of duty on just about everything, from fuel to, I think cigarettes were exempt because there was an escalator, but everything else fell by about 20% in its real value, or 30% in tax. If we had not done that, if we had just maintained their real value then the difficult period we have gone through ... it is a bit like the biblical thing about the fat cows and the thin cows, we would have been an awful lot better over the last 10 years.

So I see no problem I do not think we have to take every single year and say it is not fair on people to ever bring in more than we need to spend this year. I actually think it is better as a community to try and build up, just like we do in our own private life, don't we, we do not just sort of say, 'Oh heck, I had better not earn any more than I need to spend this year,' because you know somewhere down the line you are actually going to need that money and you actually try to earn more in order to put it aside.

I think Deputy St Pier is absolutely right, while we were on very different hymn sheets on the last amendment, I think underneath the semantics there is hardly a cigarette paper between us about where we want to go.

What I would say is that he warns that if we aim for surpluses in the longer term then it will mean that will have to be reflected in the financial plans and we will have to tax more heavily. In the longer term to actually have bigger reserves which will generate money which will generate what would be if we were a private citizen our unearned income as opposes to our earned income actually balances out and it can actually reduce the need for taxation at some time.

Sir, prudent countries around the world aim for long-term balance; Guernsey has always been ultra-prudent, has always been that bit more prudent than just about any other country. So I am not talking about having a surplus every year, I fully accept that we will run into years where we will have to be in deficit because of 'Events, dear boy, events', but in the long term I think we should be aiming to run a surplus and not just break even.

Although I think the practical impact of whether it is amended or unamended for the next five-10 years might make no difference we will be trying to build up our reserves and replenish them anyway. I actually think this is the right message to send out.

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

Members voted Contre.

The Bailiff: I declare it lost.

That brings us to general debate.

Deputy Langlois.

Deputy Langlois: Thank you, sir.

I am afraid I have not got any fresh ideas for Deputy St Pier to raise £50 million annually but I will speak to the fiscal framework itself.

Having had high hopes for the revised fiscal framework, I was rather disappointed to find the proposals are for a slightly amended version of our ageing first generation framework.

Most jurisdictions have fiscal frameworks and almost all of them for the same primary reasons: to indicate a willingness to actively control their annual budget deficits, the government borrowing they require to finance those deficits, and thus their total accrued debt. That is why fiscal frameworks exist universally – so governments can demonstrate prudence.

3555 The main criticism of such first generation rules is governments' failure to enforce them. Something we were guilty of when we did not adequately address our structural deficit in the post-2008 years, and has been mentioned several times before, in those years when we failed to transfer 3% of GDP to our Capital Reserve.

3560 We are not unique in devising fiscal rules and then ignoring any that prove inconvenient. That phenomenon has led multi-national bodies, such as the IMF and EU together with various academic think-tanks, to question first generation frameworks such as ours and propose alternatives.

One paper from the LSE is actually titled 'Fiscal Rules – Helpful, Irrelevant or Unenforceable?' I believe I know what at least one Deputy's answer to that question would be.

3565 I will not bore the Assembly by attempting a detailed exposition of the various conclusions those august bodies have reached, however, even a perfunctory reading of the papers indicates that there are three main objectives in second generation fiscal frameworks – simplicity, flexibility and enforceability – the ideas on how to achieve that vary but they are all heading generally in the same direction. For instance, an IMF blog proposes a single fiscal anchor, the public debt to GDP ratio together with a single operational rule related to expenditure growth and that is it.

3570 One think-tank proposes just three rules: for current balance, for debt interest and for the public sector net worth to GDP ratio. The key point being they all recommend identifying what one considers the two or three really important rules, giving them a higher status and therefore a profile. Of course that would not guarantee effectiveness or enforcement, but it would help. It is easier to monitor compliance with two or three rules than with seven rules.

3575 There may be a place for aims and aspirations such as revenues not exceeding 24% of GDP or capital expenditure averaging 1.5% of GDP but that place is not in our fiscal framework.

3580 Importantly, a concentrated portfolio of fiscal rules encourages one to consider each one of them more closely and devise ones that are both simple flexible and enforceable in their application, as the IMF recommends, and more holistically. For instance, when we talk about public debt we are usually referring to the States' debt, but some have argued we should also be including off balance sheet debt, in our case the debt of States-owned entities. In other words, broaden the fiscal framework rather than focussing it narrowly on the States' general revenue account. Those are the debates we should be having.

3585 Of course the real reason the States' fiscal framework is of interest is because the States is in, if not an unique then a very rare position. For us, borrowing annually is not the norm as it is in other jurisdictions. The borrowing we did undertake was a one-off and heavily circumscribed by the 'to fund projects with an identified income stream' rule. However, we have as an alternative to borrowing whittled away our reserves to fund deficits. We will be offered the opportunity to continue that trait later today, or possibly tomorrow, when we debate the policy letter that the Committee for Health & Social Care has lodged.

3590 Despite my disappointment, I will not be voting against Proposition 1 because we need to get on with the work outlined in Propositions 2 and 3, even if the terms of reference are too restrictive, and in the case of paragraph 3.17 absurdly so.

3595 Thank you.

The Bailiff: Deputy Lester Queripel.

3600 **Deputy Lester Queripel:** Sir, I am going to support these Propositions but I do have a question in relation to what we are told in paragraph 1.1 of this policy letter. We are told that:

These principles define fiscal boundaries in terms of long-term fiscal balance and include limits on revenues, deficits and debt against which the States can be monitored and held accountable.

So my question in relation to that statement, sir, is 'held accountable' by who and how? Can Deputy St Pier give us an example of what could actually happen to the States should they fail to comply with any of those principles?

3605 **The Bailiff:** Deputy Prow and then Deputy Dorey.

Deputy Prow: Thank you, Mr Bailiff.

3610 Sir, I shall try and be reasonably brief and I can do this for two reasons. First, I set out my personal position in the recent Budget debate regarding the lack of fiscal policy and its relationship with the Policy & Resource Plan which has consumed so much committee effort this term, and a process which I described as putting the budget cart before the fiscal horse. I will therefore not repeat that speech and, sir, I can do so because I am frankly a tad underwhelmed by the fiscal policy framework policy letter before us today. Perhaps I should say that is probably my fault rather than P&R's, because I think my expectations are possibly unrealistic especially after
3615 listening to Deputy Langlois' very interesting speech.

However, I do of course thank P&R for bringing this policy letter and I appreciate the work, skills and effort which have gone in to it and the opportunity to debate it.

Propositions 2 and 3 simply direct this Assembly to review Guernsey's tax base and to be:

... capable of raising sufficient revenues to meet long-term government expenditure ...

– and to be considered by the next States after June 2020.

3620 Well, sir, having said previously that we need a fit-for-purpose fiscal policy this term, I suppose I should be supportive of the review to inform the next States before they set budgets and medium-term financial plans. But, sir, I have a fundamental problem, in that I am struggling to support the adoption of the fiscal policy framework as outlined in the executive summary and some sections of Section 5.

3625 Sir, there is in my view a difference between having fiscal frameworks and principles and developing underpinning fiscal policies. Sir, I should therefore set out why I have difficulty with the report. I am of course open to persuasion by listening to debate. It is as much about what the framework, which appears to be a rework of the one established in 2009 over 10 years ago, does not consider. As said, in my view we need fiscal policy as well as framework principles. We need to
3630 join up the dots between budget setting, how we build those budgets and how that translates into any Medium Term Financial Plan and the Policy & Resource Plan on which this States places so much reliance. My challenge, sir, is around the lack of actual policy as well as the detail contained in the framework which I believe P&R has set out well.

3635 Sir, we also need a set of clear fiscal policies and strategies to deliver the agreed outcomes identified by Government which includes infrastructure. Sir, at section 1.3 we are told we need to balance the long-term budget and that we may need to increase taxation, but what are we putting in place to mitigate that potential tax increase? How will fiscal policy be used as a tool to grow the economy?

3640 I note with interest the Scrutiny Management's letter of comment where it talks about arbitrary figures regarding making capital investment available. The letter mentions a lack of ambition and the thought should be so much energy resource inserted into the policy ... sorry and thought should be put into the energy resource inserted into their Policy & Resources Plan submissions. Sorry, sir, I have an error here. I will carry on.

3645 Sir, I did not find the following sections 1.1, 1.2 and 1.3 quite as helpful. All the examples given appear to be business-as-usual expenditure which in budget terms are predictable through the budget process, none of which reach the P&R Plan which in my view is the major culprit when matching resource allocation with long-term sustainable funding through fiscal policy. The P&R

Plan has not prevented a very scary list of known long-term financial pressures which can be found in table 2.1 in section 2.42 described as Additional Costs.

3650 This States has, rightly and commendably, developed social policy but has been less active in growing the economy or considering how such policies can be sustainably resourced, neither do we have a fiscal policy to enable zero budgeting so Government can have a mechanism to prioritise one so-called key policy against another.

3655 There has been a big government versus small government debate during the UK election and locally we need to consider how we deliver services and even if Government should be doing all the things it does before we go on expanding the size of the States.

3660 Sir, I cannot sit down without challenging one comment which appears twice in the policy letter around policy development which I feel is very revealing. At 2.2 it states each policy brought forward is undoubtedly done so with the best of intentions. I sincerely hope it was not the intention but this could be construed as a reflection of how our senior Committee sitting on the top floor of Sir Charles Frossard House, discharging the States' back office functions, ensuring compliance with the Rules, procurement and discharging Treasury oversight perceives the public service delivery end of Government. It is those committees who rightly try and respond to the ever increasing demands on those services and make policy more effective. However, in contrast
3665 there is a lack of information provided by P&R on the £26 million programme of public sector reform. We need to give this consideration ahead of any significant increases in taxation. (**Several Members:** Hear, hear.)

3670 There is also the much-awaited Agenda for Change reforms relating to the public sector terms and conditions, vital are recruitment and retention at the delivery end which will, amongst other things, realise savings in HSC on agency staff and help Law Enforcement fight financial crime.

Sir, in summary it is easy to resolve fiscal policy challenges by increasing taxation, albeit by adhering to seven principles as opposed to ensuring a fiscal policy balance that helps grow the economy, introducing an improved prioritisation process such as zero budgeting and ensuring that savings are the first port of call when allocating funding to new pressures.

3675 Thank you, sir.

The Bailiff: Deputy Dorey.

Deputy Dorey: Thank you, Mr Bailiff.

3680 I am sympathetic with the points that Deputy Langlois made but I generally support the proposed principles and carrying out the review.

I have a couple of questions and comments on Principle 2 and Principle 7 and I want to talk about the review as well.

On Principle 2 which is:

The annual net deficit reported on the General Revenue accounts for any given year should not exceed 15% of [revenue income].

3685 In paragraph 5.5 in the table 5.1 it gives us how the net surplus deficit is calculated and it tells us that due to the new accounting rules capital expenditure will be replaced by depreciation in the definition of the net deficit. But what it does not tell us is the effect that will have on the net deficit. Obviously from the earlier debate on the amendment we have been speaking about the lack of capital expenditure. What we have got is no idea what the depreciation will be and the
3690 effect it will have on the calculations in relation to that principle, although it does explain to a certain ... by using depreciation we will remove the vulnerability which we currently have with the rather differing year-by-year capital expenditure which will be a positive.

3695 On Principle 7, which is the States net debt should not exceed 15% of GDP, one of the drivers for this report is the fact that we are now calculating GDP by a different method and therefore it is higher, therefore what has happened in some of the principles is that the percentage of GDP has

been reduced. But for this Principle 7 the percentage of GDP has not been reduced, and we are not told and I would ask: what is the comparable percentage if we were to have the same as it was before? So obviously it is 15% before, perhaps it would be 12% now.

3700 One of the things that we know is that when the Bond was taken out we were really right at the limit of that 15%, which some of us did not support, including myself.

My concern is that obviously by keeping it at the same percentage we have effectively increased the amount that we can now borrow following this rule and I am not sure that is what the Assembly wanted. I accept that following the Scrutiny Review of the Bond and following the recommendation on that, they have captured indirect and contingent liabilities have been
3705 included in the calculation of the debt and that is, for example, Cabernet Limited where they have taken a loan to purchase some aircraft and a Guernsey Housing Association loan, but that only equals 13%. So what I take is that we effectively are increasing which gives me concern and I will need some words from Deputy St Pier for me to support it. I said I generally support it but I do have concerns on that Principle 7.

3710 My next point is on the fiscal review; obviously we had a fiscal review in the last term which was an extensive and large piece of work and I am pleased that it is not happening this term because I do not think we can take the cost of doing that that frequently but probably once every other term is about right.

I personally do not support any consumption taxes. I think one of the conclusions of the
3715 previous report was that if you have a GST there is a cost of administration but it is the cost of increasing benefits to compensate for the cost of it, because if you follow the Jersey system, unlike the UK VAT system, we would include it on food and therefore we have to then compensate people by increased benefits, etc. to counter the increased costs they have and that works out as expensive to administer, expensive in value and there is the administration of
3720 correcting it. I am not going to take it out as a consideration because I think that is going too far but I personally will not support it if it comes back.

I prefer, if we need to, increasing the existing taxes because then there is no increase in the administration. If we have to increase Income Tax then that is what we have to do. I recall at the last election one person saying to me, 'In Guernsey we want a certain quality of public services
3725 and I am willing to pay a little bit more to have them.' That was one elector, whether that is reflected by others we do not know.

If we have a health tax then I think it should be, and I accept that health tax is mentioned, it should be based on existing calculation methods so if we have our Income Tax form we get
3730 Income Tax at 20% and we have 2% health tax, or it is part of Social Security. The advantage with Social Security is that you could have it effectively as a payroll tax and as an Income Tax so you get it from both sides and you can collect it from the corporate sector.

One of the things in the report shows the fall in the corporate sector income in terms of States' revenue during the period which we all know is caused by Zero-10. Which brings me on to if we
3735 do have to increase taxes I would at least like the report to look at whether – and I fully accept we had Zero-10 and we cannot change the zero rate but can we change the 10% rate? We have effectively have Zero-10-20 because one report tells us more areas have come into the 20% but also a lot more areas have come into the 10% and I accept that we probably have to work with the other Crown Dependencies but I think it is at least something worth looking at in terms of being fairer in our tax system and not all coming from personal taxation, a greater quantity coming from
3740 corporate taxation and looking at whether we can increase the 10% rate or perhaps as we are travelling to is a territorial tax. But I definitely think that that should be fully looked at and included in any report that comes back.

In appendix A, I think it is on the sixth page, it has got a heading of Universal Benefits including Legal Aid. I was slightly confused why universal benefits include legal aid which is not a
3745 universal benefit, it is a targeted benefit.

In the report, also in appendix D, it has got a history of the various changes in taxation that have happened going back to 2006. I would say the one thing missing at the end is the increase in

pension age which is not an increase of tax but it is effectively because it means a greater number of people are then paying Social Security and there is also the positive that they are not getting a pension, as in a positive in terms of our finances. So I think that should be included because we are now on a long-term increase in pension age which will mean that we get an increase in Social Security contributions by people paying for a slightly longer term.

I cannot finish without talking about appendix E which is entitled History of Revenues in Guernsey, and I am sure others who have heard me speak on this subject before will not be surprised, it talks about Document Duty and the interesting thing is it explains that in 2008 ... it is talking about 2007 and then it goes on to say the following year 2008 they had fallen by £11 million in one year. So Document Duty is a tax which is very difficult to predict and it varies all over the place. Now most countries if you want to tax your fixed assets, your fixed property, the best thing to do, as is said in the paragraph that starts on TRP just below that in that appendix, it says:

TRP is one of the most stable and easily forecast revenue streams ...

It is also a fairer revenue stream because it means that all properties contribute and not just those which are changing ownership, which is what happens with Document Duty. It also has the benefit of encouraging people to make best use of our build structures by not taxing a transaction when they want to change ownership; you encourage people to change ownership more often and not stay in a property which is not right for them in that particular time of their lives. So I think this makes a case very strongly that we should look to move away from Document Duty because of its unpredictability in terms of it varying. It goes on to say:

... the loss of document duty receipts has therefore played a more significant role in the changes in the States fiscal position than has been widely recognised.

I have always recognised that; I think the Assembly has failed to recognise that. But it is an unpredictable tax and where we have concerns about our tax base in the future, the more we can have which is predictable the better and TRP is one of the useful taxes that we know what we are going to receive each year, we just have to set the rate.

So I would encourage us to move further away from Document Duty – unpredictable – to TRP. Thank you, those are my comments.

The Bailiff: Deputy Soulsby.

Deputy Soulsby: Thank you, sir.

A fiscal framework provides a structure and control that for a small jurisdiction which cannot run up a national debt and for whom political, social and economic stability is crucial for its future is absolutely essential. It may not have been in the past when life was simple but in today's complex world it absolutely is.

Really there is little that can be fundamentally challenged in what is set out in this policy letter when it comes to a framework. But what is missing from this policy letter is any connection between the principles laid out and what sort of society we want.

Principle 5, setting the aggregate amount of States' revenues as a percentage of GDP, is really where this becomes obvious. We are told in paragraph 5.13 that this:

... governs the aggregate size of the public sector ... [providing] a limit on the maximum amount of money it is deemed appropriate to take out of the general economy to be redirected [at] the provision of public services.

There is reference to pressures such as from the ageing population and the need for fiscal discipline; the need to set a limit that is supposedly challenging but achievable, but nothing about what our long-term goal is. But we do have a long-term goal and it is something referenced by P&R in its letter of comment on the policy letter that we will be debating later: that is to be one of

the healthiest and happiest places in the world. We have a Policy & Resource Plan that is meant to determine how we get there, but there is no connection between the P&R Plan and the fiscal framework which seems odd given that the development of both is the responsibility of P&R.

3795 The policy letter is written in such a way that it makes out the Principal Committees are just doing their own thing without any direction. Paragraph 2.2 – something that Deputy Prow also picked up – is symptomatic of the mindset where it states:

Each policy brought forward for debate is undoubtedly done so with the best of intentions.

3800 This completely ignores the fact that the committees have been following the direction of the States through the Policy & Resource Plan. Of course the problem is the Policy & Resource Plan itself, (**A Member:** Hear, hear.) where everything is a priority, (**A Member:** Hear, hear.) every key strategy is treated as a priority and that is where it has gone wrong, which I said at the time phase one was being developed. Instead of recommendations from key strategies being prioritised, the strategies themselves have been.

3805 But it really should not have been a surprise to P&R that the fiscal pressures are now becoming apparent. Just looking at ESS's mandate all their big ticket items they have brought and will bring this term have arisen from strategy decisions from last term: SLAWS, Disability & Inclusion, SWBIC, secondary pensions. No-one expected it to come without a hefty price tag. Public sector pay, in particular equal pay for work of equal value, has been an issue for many years and just not addressed, when it was clearly apparent that the situation was getting more and more indefensible.

3810 Neither should the pressures on health and care come as a bolt from the blue, this was clearly referenced in our policy letter on the Partnership of Purpose and Proposition 21, which became a Resolution, directed P&R to consider as part of future Budgets what steps, if any, are required over and above transformation of health and care to ensure the sustainability of funding for health and care.

3815 This policy letter just references what was provided in this year's Budget, and on that I need to correct what is stated in paragraph 2.33. HSC was not awarded £6.2 million to meet above inflation pressures and base line costs; HSC was given £6.2 million to reflect its true staff costs and inflation, it does not take into account growing demand.

3820 This takes me back to the point I am making. We have a fiscal framework and we have a Policy & Resource Plan but nothing linking the two. The fiscal framework all seems very dry and it has not had much interest in the media but it really is important, it feeds through to the Medium Term Financial Plan which in turn determines the budget committees receive. It has meant that before HSC made its budget submissions for this year it had already cut £5 million from requests that came to it and then what we received was £3.6 million less than the Committee applied for. We are in a completely unsustainable situation.

3830 Now I was interested to read the Better Life Indicators report that came out last month which showed Guernsey has the fifth largest household income and sixth highest life expectancy compared with the 36 OECD countries, and second only to South Korea for broadband access, with such good news backed up by the latest economic and financial stability overview. It is all excellent stuff.

3835 Then we have the Gini coefficient, the measure of inequality in a society. We are told in that report that Guernsey has a Gini coefficient of 0.37 which seems quite close to the OECD average of 0.32. However, this is a classic example of where using a mean does not reflect the reality. Having looked at the Gini coefficient of all the OECD countries, it is evident that rather than being somewhere in the middle which is the assumption you could make from the scoring, Guernsey comes in as the sixth most unequal compared to the 36 members of the OECD. Only the US, Lithuania, Turkey, Chile and Mexico being worse than us. The median is 0.307 similar to Ireland and Luxembourg.

3840 The importance of this? As all the work done on the social determinants of health shows, there is a direct correlation between wealth and health. Conversely, the greater the public's expenditure on health care and education, the higher the human development index – an index the UN uses to show that societies that spend more on schools and health care are those societies that score better on education, health and income.

3845 Now this does not mean throwing money at social policy, it does mean targeting funding where it will make a difference and empowering people to live better lives. It is not about Government meddling in everyone's lives either.

3850 The saddest thing I read about that Better Life Indicators report, which was backed up by the recent Joint Strategic Needs Assessment HSC undertook on the over-50s, was how poorly Guernsey performed in terms of how people perceive their social network, whether they felt they had people to turn to when they needed help; we are seventh from bottom. This is backed up by the recent Health & Wellbeing Survey where those living in affordable housing, including social housing, are more likely to be emotionally and socially lonely; 50% of them felt intensely socially lonely. The younger you are the more likely you are to be intensely socially and emotionally lonely. We also see that the greatest causes of stress are work, with 36% always or often stressed by work and 30% by money and financial pressures.

3855 Now I want to quote again what Jacinda Ardern the Prime Minister of New Zealand said:

If you are somebody at home listening to what a politician says, well according to GDP, we are now in a recovery phase and yet you are sitting there and do not feel it, your situation is not improving then that means you have a disconnect and an increase in the lack of trust in your institutions and lack of democracy.

Joseph Stiglitz Nobel Prize winning economist and former Chief Economist at the World Bank wrote in his book *The Great Divide*:

That growth is not just a matter of increasing GDP, it must be sustainable and inclusive. At least a majority of citizens must benefit. But trickle-down economics does not work. An increase in GDP can actually leave citizens worse off but that there does not need to be a trade-off between growth and inequality as governments can enhance growth through inclusiveness, education and social protection.

3860 He references Singapore that has prioritised social and economic equity while achieving high rates of growth demonstrating inequality is not just a matter of social justice but economic performance. Ultimately he says:

... having inequality actually restricts growth which has become increasingly apparent since the 2008 crash which is hitting the young in particular.

This is why we have made under-21 contraception free; why we have made cervical smear testing free; why we are seeking to restructure primary care funding; and why we are proposing changes to our drug policy. It is because they make sense for future growth and sustainability.

3865 This is why any review of the tax base is not only necessary to consider future funding pressures but is also an opportunity to take into account that current inequality and really help make us one of the happiest and healthiest places in the world.

Thank you, sir.

3870 **The Bailiff:** Deputy Green.

3875 **Deputy Green:** Sir, the Scrutiny Management Committee issued a letter of comment on the policy letter before us. I formally adopt that as my contribution to this debate, but I just want to make a few comments drawing from that letter on behalf of the Committee and then I will make a few comments of my own.

Sir, with regard to the fiscal policy framework, the Committee accepts the case for the States having such a framework that sets out the Government's fiscal rules, but we also acknowledge the

need for this update to the framework due to the rebasing of Gross Domestic Product and the continued drive towards IPSAS.

3880 Sir, however, the Committee has concerns that some of the changes put forward may go beyond the update justified by this rationale. The Committee does suggest that the framework should in any event be brought before the next Assembly of the States at the earliest opportunity because it is such a fundamental building block that informs all subsequent policy decisions.

3885 Sir, there has been an independent review of the framework undertaken annually between 2010 and 2017. The reviews have provided an independent assessment of economic performance from a much wider macro-economic perspective as opposed to purely focussing on an analysis of compliance with the framework.

3890 It is suggested within the policy letter that an analysis of the compliance with the framework could be undertaken internally and then published annually with the States' accounts whilst the comprehensive independent review would be undertaken every four years at times to inform the Medium Term Financial Plan process. Of course my Committee notes the potential monetary savings that would result from this change.

3895 However, it is very clear that the added value of increased assurance and external credibility of the annual independent review, and specifically an assessment of the fiscal and economic risks facing Guernsey, would not be replicated from the proposed internal process. As a result, my Committee does have serious concerns that the suggested reduction in the frequency of the external independent review from annually to every four years does represent a reduction in valuable financial oversight and our Committee believes that the suggested change in the existing process would be perhaps more justifiable if it was balanced with a corresponding increase in accountability.

3900 As such, my Committee strongly recommends that the suggested four-yearly external fiscal and economic review should be commissioned by, or at least submitted to, the Financial Scrutiny Panel of the Scrutiny Management Committee thus providing a further independent level of oversight.

3905 In addition, my Committee believes that there should be some sort of interim independent review as well which should be undertaken in the middle of each political term, which would allow the economic performance of the Assembly to be assessed and held accountable during its tenure.

3910 Sir, in relation to the proposed tax based review, the proposed review is clearly predicated on significant future cost pressures that require an increase potentially in overall tax revenues and our view is that it is not unreasonable for Government to conduct such reviews in appropriate circumstances.

3915 But nevertheless our Committee is of the strong opinion that there remains a number of options available for the Assembly to consider to address the potential cost pressures before considering higher or new taxes and these would include significant public sector reform, continued transformation of public services and the potential reprioritisation of spending on specific services.

3920 The Committee also wonders if now is the time for there to be an external objective review of the current levels of efficiency of existing public spending before we go any further in expanding the size of the States.

Sir, the whole premise of the tax review seems to assume that the only choice for policy makers in the future is for Guernsey taxpayers to bear the burden of more and more demands for new or better public services, etc. and that therefore there must be new or higher taxes to meet these future demands.

3925 But my Committee's view is that that is not the only policy choice on offer. Other policy choices do exist even if they might be considered somewhat unpalatable. For example, not extending certain public services; (**A Member:** Hear, hear.) not funding NICE drug treatments; not funding other aspects that are talked about in the policy letter.

For the future shape of States' policy to be determined effectively, the Assembly needs to make a decision after having a full and frank debate about why future demand areas are so critical and whether Guernsey should seek to endorse all, some, or none of those future growth areas. Moreover, sir, there is nothing genuinely inevitable about the States funding all of the future areas of demands that have been flagged up in the policy letter. In other words, the States must make and must be ready to make an active choice in relation to each area.

Sir, in addition the Committee is especially disappointed by the limited consideration that appears to have been given to the option of growing the economy to address the concerns regarding future tax revenue and indeed it is also apparent that adjustments to population levers currently are not being actively considered as a potential solution to long-term spending pressures.

The Committee is also disappointed that the report does not include further detail relating to the perceived cost pressures outlined in the report which are cited to justify the need for the review.

Whilst noting that a full report will be submitted in due course, the Committee is particularly concerned by the absence of detail with regard to the £35 million-£40 million figure relating to public sector terms and conditions. (**A Member:** Hear, hear.) This represents approximately half of the cost pressures and this Committee believes that further details do need to be provided to the Assembly at this stage so that Members are able to make a fully informed decision.

Sir, just a few things about the terms of reference for the tax review. The Scrutiny Management Committee is conscious that any potential recommendations of this review should align with the high level principles within the Future Guernsey Plan and also together with the recommendations of our Committee's In Work Poverty report.

Sir, generally the Scrutiny Management Committee has strong reservations that the benefits of a low tax jurisdiction may not be reflected across the whole of the community in which we live in, given the high cost of living experienced by many individuals and families, and we would say that this should be a factor that the reviewers should have uppermost in their minds during the review itself.

It could be argued in some ways that the terms of reference have been somewhat tailored towards implementing a goods and services tax and on the taxing of individuals rather than in relation to corporate taxation.

The Committee believes in the final analysis that the States should examine the adoption of potentially regressive tax solutions very carefully indeed before political agreement and any chosen approach should – it goes without saying – be brought before the next Assembly for formal ratification.

Sir, in terms of my own comments just two points here. The first point is I see the merit in having a fiscal framework. It is an obvious point and Deputy Langlois made the point which is this: we still do not have, and we will not have, any real mechanism for an enforcement of this, and I do not think that completely blows out the idea of having a fiscal framework at all but it does somewhat undermine the practical effect of having a fiscal framework, and it is something dealt with in questions to Deputy St Pier before. I would be grateful when he comes to sum up if he has any kind of fresh thinking in terms of how that plays out in practical application because in the event of non-compliance with the fiscal framework there is no sanction, there is no effect and it would be quite good, I think, to have a kind of updated view from P&R in terms of what that really means and whether this really does actually undermine the whole thing. I do not think it undermines it totally but I think it does undermine it somewhat.

The other point is, sir, when it comes to the review I think it is absolutely right that we undertake this tax review, it is not an unreasonable proposition, but I think in the end a solution to meeting the future demands that we have been talking about, the varied future liabilities that the States is almost certainly going to have to meet, it is going to have to be a package, it is going to have to be a multiplicity of different things. It may well be some higher new taxes; it may well be a different approach to the economy; a different approach to population; much more in terms of

reprioritisation, zero-based budgeting perhaps; much more in terms of transformation of public services; much more in terms of public sector reform.

All of these things are going to have to come together if we are going to meet these significant future demands in the future. It is not just about taxation.

A Member: Hear, hear.

The Bailiff: Deputy Ferbrache.

Deputy Ferbrache: Sir, two preliminary comments. The first is that I groaned inwardly when I heard Deputy Green mention the word 'review', 'review' and 'review' in his speech, 'Let's have a further interim, let's have more reviews during the lifetime of the States, let's have an external review.' My goodness me! What is the point of that? What is it going to cost? All we ever seem to do is to have a review because it is easier to have a review than it is to make a decision because you are letting somebody else do that review, you are letting somebody else spend that time unnecessarily.

My second comment is that I actually think this is an excellent policy letter and I am largely going to support it. In fact I am going to vote for all the Propositions or Principles, albeit I will comment upon one or two in due course.

I thought Deputy St Pier's opening speech to this debate was excellent with one exception, which I will come to. I also thought his mini speeches when he was dealing with the amendments were absolutely spot on.

The only point that I disagree with him with was when he tried to be Churchillian at the very end of his speech to say we will be alright we will fight them on the beaches. Some people are better expressing Churchillian principles than others and perhaps they should be left to those that do that.

But the point is that it will not be alright on the night. It might have been for Dennis Norton, it might be for whoever presents that programme now but it is not going to be alright on the night unless we get things right. There is no magic. Deputy Dorey, I think, made some good suggestions and Deputy Green also on behalf of the Scrutiny Committee made some good suggestions.

But the only way you are ever going to balance your budget and get a healthy economy is either by raising taxes, and that is not necessarily productive, by cutting costs or by growing the economy, or a mixture of all of those. And magic, we all believe – well certainly I did until I was about 37 – we all believed in Father Christmas when we were children, but now we realise that it does not exist. Deputy Brehaut I see – **(Members: Ooooh!)** *(Interjections)* I do apologise. I am still waiting – I admired his Christmas lights because he lives just down the road from me, I wonder what they did for the environment, but I did admire them. I was just disappointed he did not deliver my present personally up the road just a few paces away but there we go. *(Interjection)* Oh, okay. *(Laughter)* The dog chewed it or the chickens ate it but I do not know, whichever it was.

But the point in relation to all of this is that we face major challenges. Now if we approve the policy letter it will not merit a headline in the *Guernsey Press* or elsewhere that the States approves tax increases of between £70 million and £130 million because that is not what the policy letter is saying.

What Deputy St Pier and his colleagues on P&R are saying is unless we do something radical, unless we have a proper review then we are faced with all these challenges and they detail them.

Like Deputy Green, when I saw that we could be faced with increased public service costs, wages of between £35 million and £40 million very shortly I was appalled by that, I was concerned by it, because I thought the idea of the public service reform, **(Several Members: Yes.)** that we all signed up to not that long ago, was that we were promised riches beyond the dreams of princes, that we were going to get, after the initial £2 million, we had to invest £8 million to get £10 million so we would save £2 million and then we were going to have a number of years of

savings of £10 million per annum. That seems to have melted away (**Several Members:** Yes.) or been ameliorated, almost forgotten.

4035 So instead of having a lesser bill, a lesser wage bill, we seemingly are going to be faced with a much bigger wage bill (**A Member:** Yes.) by a multiple of many naughts.

Now I anticipate that will probably be increased wages for nurses and the like, I anticipate that is on the – I see Deputy Le Tocq nodding as he looks into his phone, nodding affirmatively that is likely to be the case – and certain other public sector workers.

4040 We are also, because we are going to be debating tomorrow now the proposals from the Health Committee about the NICE recommendations ... I was one of those that signed up to the Roffey requête in September 2018 and I will certainly be supporting them again, but those come – as P&R says – at a massive cost: £5 million, £8 million and that is not just £5 million and £8 million for a couple of years, it is going to be £8 million and £10 million and £12 million and whatever it is *et permanente* because more drugs are going to be found. Rightly our citizens should have the
4045 the same drugs available as those in Rochdale or Rochester, of course they should. Why should the English people get better drugs than the Guernsey people?

So if we cannot afford to give the members of our society, as Deputy Soulsby says, if we cannot afford to give them good health then we are neglecting one of our prime duties. I do not quite share her thinking that there is a naturally a correlation between health and wealth, there is
4050 some correlation but the value of that can sometimes be overemphasised.

But we have got all these various figures and as appears in the policy letter we only spend 21-point-something of our GDP on taxes whether direct or indirect or other, but you say that to the average person that is trying to bring up a family, who is paying a mortgage or paying rent, 'It is all right, you are doing well here because we are only spending 21-point-something percent of
4055 GDP on taxes. If you were living somewhere else, if you were living in France you would be paying over 40% or 50%, if you were living in Jersey, 26%, if you were living in the UK, 38%, so you are doing well,' when that person is finding it difficult for him or her to support their family.

As Deputy St Pier said and as is said in the policy letter, if we were to raise that to 24% of GDP which is the maximum that we would intend to spend, to tax people, I should say, then we would
4060 have to find an extra £84 million. Put up Income Tax by 7%; 350% increase on TRP – that is going to widely popular; 7% increase on Social Security.

Just there let me digress while I remember it. I understand, and I can be correct by the president of the relevant committee, that if a more reasonable way of investing the funds available to that committee had been adopted there could have been an extra £40 million raised
4065 in the last year, or over the last 10 years, £195 million. Now caution is fine, atrophy is not because when you have ... Deputy Trott uses the word 'coupon' about the Bond. Coupon always has a mental image for me when my dad and his mates used to fill out the coupons in the 1950's and 1960's for Littlewood's and Vernon's – generally with Littlewood's because it gave a better return and they would have won millions; they never won anything! But Vernon's was sometimes when
4070 they could not get hold from the pub of the Littlewood's coupons.

But we talk about that, but generally there is no magic in the way that people invest their money in the stock exchange. We have all dealt with investment managers who say, 'I can beat the market norm by 1% or 2% and I can do that,' but the reason our Bond did well a couple of years ago was because the stock market went up. The reason it did not do well the year after was
4075 because the stock market went down, so it will follow the stock market; our investments will generally, as long as they are reasonably prudently invested, follow the stock market. But none of these options are palatable.

Or we could have another thing: we could put for people who are earning over £50,000 a year they could pay 45% of their income in tax; my goodness me, that is going to attract a lot of
4080 people to Guernsey, isn't it? The young professionals that already earn well over £50,000 are going to be delighted that suddenly they are foisted with a 45% Income Tax bill. Or of course we could have an 8% GST; wouldn't that be wonderful? All of a sudden tell the people of Guernsey who perhaps almost uniquely in the western world are not used to some kind of GST that it is

going to go from zero to 8%. It may well have to bring in GST in some form – it may well, I am not saying it is, but that will be part of this structure in due course. But there are no easy answers.

I think it would be helpful because we voted for – I did not but the majority of the States voted for – the Roffey amendment that had a bit more substance than the other one about promising in the long term 2% investment of GDP in capital projects, but nobody had any idea how we are going to earn that money. Nobody has come up with any ideas as to how the economy is going to suddenly blossom, how all the things that we want and all the things that we need are suddenly going to happen.

So this debate has been a bit – with one or two exceptions – disappointing because nobody has talked about – I know that is for the framework but P&R are not experts with all the knowledge in the world, they need input from other States' Members – in this debate and nobody has talked about in the last three years and eight months in any real substance how we are going to earn money, how we are going to increase the economy, how we are going to make it better. I have not heard it at all or any way that sticks in my memory.

Almost every States' debate – we have already had one today where we have increased it by £135,000 or £185,000 per annum that we are going to spend on ... it may fall off, Deputy Trott tells us, I might believe in Christmas next week if that happens that when they have got it up and running; we never seem to reduce the size of the Civil Service, it always seems to increase. So we have got to have some ideas as this States' Assembly and the next States' Assembly has also got to have some ideas to help this framework.

Scrutiny Committee criticised it in their letter of comment saying, 'Oh, it is too long, it is going to be perhaps in June 2021.' I do not think it is, that is only a year into the new States – perfectly reasonable; the new States has got to bed in, people have got to learn, there will be quite a few new States' Members and it may be that the P&R Committee may be differently populated, who knows, it might have a different leader, who knows. All of that will be *(Interjections and laughter)* considered in the due passage of time and it may be a new emphasis in policy.

What we have had over the last four years, and I have said this before, is a well-run economy by an experienced and able President of P&R, and in relation to that I am grateful for that. But what we have not had is enough initiative, enough enterprise and enough thought processes as to how we go forward.

Deputy Roffey was right when he said in the days of plenty, when it was not so much States' policy to get money, it just came gushing in, it came gushing in, and I remember one of Deputy Trott's great political heroes, who is also one of mine, when I became a Member of Advisory & Finance – and I think I am probably the only Member of this Assembly that ever was a Member of Advisory & Finance – when I became a Member of it in 1997, Deputy Berry – an excellent politician and a real servant of the States (**Several Members:** Hear, hear.) and a great entrepreneur in the best way possible of the States – sat me down and said, 'Look, I know you can be a bit troublesome and I know you can be a bit opinionated,' and I thought he was talking about Deputy Trott and I did not know him very well but said, 'We work as a collective body here but do not tell the other States' Members that we have got £4 million here, and £2 million there and £6 million there because they will spend it.' So I did not.

But the money just gushed in, the money just gushed in and we did not put enough of it away. We put a fair chunk of it away – £30 million or £40 million a year or whatever the figures are, they are in the records. But we also thought, we generally the collective States, always thought the sun was going to shine and of course from 2008 the sun has not shone as well. It has still done pretty well and I congratulate again those that have made the books balance in what are very difficult times and we have got a healthy economy, Deputy St Pier is right. How many States, how many bodies, how many institutions, especially a little place like ours, have got money put away in little pockets here, little pockets there like we have?

It is not quite the fortune that Deputy Parkinson says because a lot of it is tied up in States' superannuation and old age pensions – I am sorry we are not allowed to call it that any more, States' pension, old age pensions to me, I know we debated that and that was an interesting

debate wasn't it, talking about matters of such great import as to whether we are going to call it an old age pension or a States' pension, my goodness me that is going to change the world.

But in relation to that we cannot touch those monies – it is still a lot of money but it is a relatively small amount of money that is available for investment in capital projects. We have not
 4140 invested enough money in capital projects. We should not have more than 15% of GDP, is one of the Principles. When we looked at that I think we were about 13%, if my memory serves me correctly. A lot of that is in relation to the Bond £320-odd million. The Bond is done, we have got it, but we should never borrow that kind of money again for that purpose, (**A Member:** Hear, hear.) because we did not know what we were borrowing it for. (**A Member:** No, that's true.) We
 4145 should have only borrowed that money if we knew that it was definitely attributable to certain projects. In fact, what was it, less than half I think was attributable to a certain project and we are still scurrying around really knowing what to do with the rest of it. (**A Member:** That's right.)

But what I would be in favour of – but this is for the review in a year's time or whenever it will be, 18 months' time or whenever it comes out, when it finishes – I would be in favour *prima facie*
 4150 but it depends on ... let's say we decide we are going to have a new harbour – that decision has not been made by the States yet but let's just say – and let's say it costs £200 million, again just plucking those figures and that principle from the air, it may well be we say we have a Bond, we borrow £200 million or whatever the figure might be for a specific project and there is a return of 3% or whatever it might be. That might be a way of helping finance at least some of our corporate
 4155 and large projects going forward.

As Deputy St Pier and Deputy Parkinson have both said, and they are correct, some work has been done outside of the Waste Management, the £30-odd million we spent on that, because the £30 million spent on the Guernsey-Jersey electricity cable was funded in a different way and also if
 4160 the electricity cable between Guernsey and France is approved and takes place then that will be funded in a different way. So there are now more innovative and intelligent ways of borrowing money than perhaps we are used to.

But the way we can tax people is limited, the way we have taxed people, the ordinary person cannot be taxed any more, it is just impossible; they have had enough so we have got to come up with something that is more innovative.

I am disappointed to say there have not been too many suggestions in relation to that but I
 4165 am going to vote for all the proposals put forward by P&R.

The Bailiff: Deputy Inder.

Deputy Inder: Thankfully we have had some exceptional speakers have gone before us and in the names of Deputy Soulsby, bits of Deputy Ferbrache (*Laughter and interjections*) and the work done by the Scrutiny Management Committee and may I say, Mr Dorey, even yourself ... through
 4170 you, sir, Deputy Dorey yourself.

When Deputy St Pier did his opening speech on this he basically said, 'I mean this is fairly easy for me, it is a set of principles it is fairly harmless because effectively it is something that someone
 4175 else is going to do another day,' a bit like motor tax, and he told us it is a set of principles within a framework. He also asked us to – and I think that was probably correct because I have a tendency to go into minutiae so I will stay away from minutiae – so I do not want to extend it because there are plenty of areas I believe Government can save money.

But he also, I think, did a quote from Benjamin Franklin as well, but I have found another one because I have got Google too, me. Benjamin Franklin also said:

Beware of little expenses. A small leak will sink a great ship

And that great ship is Guernsey.

Scrutiny have mentioned about the size of the state; that is the great elephant in the room. Public sector wages or salaries, gross salaries went up by something like 47% between 2007 and

4185 2017; in the private sector – and we do not know about bonuses and all the other bits and pieces
– it was 24%. There is no mention in here at all, it tends to be all about the reality of a
conversation we are, or some of us are, going to have to have in the future, but there is nothing
that addresses the elephant in the room which is the size of the state, and I genuinely think in
4190 some cases it does too much. I do not think you are ever going to reduce it to the point where
you are going to offset the future requirements.

But Deputy Dorey spoke about an anonymous letter that he wrote to himself in 2016
(*Laughter*) where the author said that he or she did not mind a couple of percentage points up on
tax. Actually I heard that as well but the bit his author may not have mentioned to him and there
was a proviso: as long as Government was not seen to be wasting money. They did not mind
4195 raising taxes as long it was spent in the best way possible.

There is a clear problem with messaging. Absolutely, there is a problem with messaging that
has come out of this States. Deputy Heidi Soulsby had it on the button: the Policy & Resource
Plan. There is your problem right there, because everything is number one priority, everything is
number one priority, and guess what happens in the Budget: because everything is top priority
4200 everything goes on to the Budget, Policy & Resources have got a hell of a job trying to keep
everyone happy through the Budget and, guess what, everything gets on the table. There is your
problem right there. We need to get to a place that I seem to remember.

I was taught two things as a kid – well three things actually – one was do not go rabbiting in
the dark on your motorbike with a shotgun, (*Laughter*) but the two important ones – if you have
4205 not got it you do not spend it and if you did it you sort it out yourself. There are lots of things this
Assembly has done itself and has not sorted itself out. If we have not got the money there are
certain things that we cannot do.

If you look at 2.1, I do not want to get that miserable, I would hate to see a Policy & Resource
Plan that just consisted of everything between NICE treatment drugs and the public sector terms
4210 and conditions. That would be a fairly miserable Policy & Resource Plan, but the reality is, with
such a massive document, the amount of work that pours out of that that costs hundreds and
probably thousands of pounds to produce the report back, you have got consultations that go
out, reports ... We have got to be more realistic – absolutely more realistic.

In a future Government, a future set of committees, I would love to see one committee say,
4215 'Look I am going to be realistic in 2017 whenever the Policy & Resource Plan may come back. I
reckon we have got five or six things we can achieve in a four-year term and that is it.' Instead of
kidding ourselves, 'Look, we can do 22 projects just to look good,' and I think it is actually
reflected in 2.2 where I think there is a slightly, could be seen as condescending actually but it is
not – Oh, I do not know, it is somewhere in there where, 'We are all well-meaning with our
4220 expectations and our policies.' I think there is some truth in that.

We need to find a better way of dealing with the work that we have to put through this
Government and I think as a conversation we genuinely have to have it with the public, not with
ourselves, not with people who put it in their manifestos who are now in the committee and think
they have been touched by the hand of God. The conversation that needs to be had is with the
4225 public. What does the public of this Island want? What do they really want to do? That can be
done, that genuinely can be done, but I genuinely do not think it will be done in the shape of this
Government in this Assembly because I think it is something for the future.

But apart from that, sir, I am quite happy to agree it because it is a conversation, the start of a
conversation, that has to be had which will be handed to a bunch of other people.

4230 **The Bailiff:** We will rise now and resume tomorrow at 9.30 a.m.

The Assembly adjourned at 5.32 p.m.