



STATES OF DELIBERATION

HANSARD

UNEDITED TRANSCRIPT

**Royal Court House, Guernsey,
Tuesday, 17th October 2023**

PLEASE NOTE:

As this is an unedited transcript, direct quotes may not be used, as corrections will still be made before the final Hansard report is published.

States of Deliberation

The States met at 9.30 a.m.

THE BAILIFF *in the Chair*

PRAYERS

The States' Greffier

CONVOCATION

5 **The States' Greffier:** Billet d'État XVII of 2023. To the Members of the States of the Island of Guernsey, I hereby give notice that a Meeting of the States of Deliberation will be held at The Royal Court House, on Tuesday 17th October, 2023, at 9.30 a.m. to consider the items listed in this Billet d'État which have been submitted for debate.

Procedural – Order of business and length of sitting

10 **The Bailiff:** Deputy Brouard and Deputy de Sausmarez, almost in time but not quite, is it your wish to be relevé?

Deputy Brouard: Please, sir.

Deputy de Sausmarez: Yes, please, sir.

15 **The Bailiff:** We will mark both of you as present.
 Deputy Ferbrache.

20 **Deputy Ferbrache:** Sir, the States have got a very busy agenda over the next three or four days, can I bring and make various motions for the States to consider? Can I ask that the order of the business is changed so that we deal firstly with the Contributory Benefits policy letter then we deal with, I know it is urgent, the Forensic Medical Examinations facilitated by Deputy Prow's Committee, then we deal with the Funding and Investment Plan, then the GWP and then the other business, sir. That is my motion.

25 Also, sir, I know Deputy Roffey will be making a motion to shorten the time so I thought I would mention it now. Deputy Roffey is suggesting that we shorten the lunch break by half an hour and we sit for an extra half an hour at the end of the day. As I am on my feet, I make that motion.

A Member: Hear, hear.

30 **The Bailiff:** Okay. Well I think there are two potentially discreet matters, so we will take first the reordering of the business, Members of the States. I will not repeat what Deputy Ferbrache has just said but it is to bring forward the four items for debate so that they are dealt with before we even get to update Statements, questions, elections and appointments and legislation. So that would be

35 taking Employment & Social Security's matter first, Home Affairs matter second and then inverting the Funding Investment Plan and the Government Work Plan. So I am going to put that motion to you. Those in favour; those against.

Members voted Pour.

The Bailiff: I will declare that carried.

40 Now the second motion is that we extend sitting hours from six for the day to seven for the day, which will be to gain half an hour this morning and half an hour this afternoon. So I am going to propose that we do two three-and-a-half-hour sessions, so up to one o'clock and I will adjourn as close to one o'clock as possible, resume at 2.30 p.m. but then sit until six, or thereabouts, before concluding today, tomorrow and, if necessary, Thursday and Friday. So that is the motion. Those in
45 favour; those against.

Members voted Pour.

The Bailiff: I will also declare that carried.

COMMITTEE FOR EMPLOYMENT & SOCIAL SECURITY

3. Contributory Benefits and Contribution Rates for 2024 – Propositions carried as amended

Article 3.

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'Contributory Benefits and Contribution Rates for 2024', dated 8th September 2023, they are of the opinion:

1. *To set the contributions limits and rates as set out in Tables 4, 5 and 6 of the policy letter, from 1st January 2024.*
2. *To direct the Committee for Employment & Social Security to develop detailed policy proposals for a progressive restructuring of the social security contributions system–*
 - a) *Based on the principles set out in paragraph 3.8 of the policy letter, and*
 - b) *having regard to any relevant decisions arising from the States' consideration of the Funding & Investment Plan, and to direct the Committee to report back to the States no later than 31st December 2024.*
3. *To set the standard rates of contributory social insurance benefits as set out in Table 7 of the policy letter, from 1st January 2024.*
4. *To set the contribution (co-payment) required to be made by the claimant of care benefit, under the Long-term care Insurance Scheme, at £327.32 per week, from 1st January 2024.*
5. *To set the weekly long-term care benefit at the rates set out in Table 9 of the policy letter, from 1st January 2024.*
6. *To set the weekly respite care benefit at the rates set out in Table 10 of the policy letter, from 1st January 2024.*
7. *To agree that the standard up-rating policy for contributory benefits, except those funded from the Long-term Care Insurance Fund, should include a 'double lock and look back', as set out in paragraphs 2.7 to 2.9 of the policy letter.*
8. *To note that the Committee intends to set the age of an individual's child, in respect of whom family allowance contribution credits are awarded, at 12 years old with effect from 1st January 2025.*

9. To note that the Committee for Employment & Social Security intends to implement a scheme to protect the contribution records of parents who would be affected by the proposal in Proposition 8, including parents who provide home education for their children or whose children have additional care needs, and such other parents who can demonstrate, to the satisfaction of the Administrator to the Committee, that it would be fair and equitable in all the circumstances for them to be eligible for the protection scheme.

10. To amend the Social Insurance (Guernsey) Law, 1978 by Ordinance to give the Committee a power, by Regulations, to adjust the aggregate period for which unemployment benefit is payable, from time to time, subject to a minimum aggregate period of 10 weeks and a maximum aggregate period of 30 weeks, as further detailed in paragraphs 7.2 to 7.4 of the policy letter.

11. To amend the Social Insurance (Guernsey) Law, 1978 by Ordinance to enable unmarried parents to be eligible to receive widowed parent's allowance in the event that their cohabiting partner dies, and providing that they meet all other relevant eligibility criteria, as further detailed in paragraphs 6.5 to 6.6 of the policy letter.

12. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

The Bailiff: So without further ado, I will invite the President of the Committee for Employment & Social Security to open the debate. We will have it called first, won't we, Deputy Roffey! I am getting ahead of myself already. We have nearly finished! *(Laughter)*
Greffier.

The States' Greffier: Article 3, Committee for Employment & Social Security, Contributory Benefits and Contribution rates for 2024.

The Bailiff: And I will invite the President, Deputy Roffey, to open the debate.

Deputy Roffey: Thank you, sir, and I will start with benefit levels. The proposal in this respect is really very straightforward; all contributory benefits will go up by RPIX from January. Does this mean that a higher increase will be had by pensioners and other contributory beneficiaries than has been typical for those in employment? Well, that question depends on your starting point. Taking the annual earnings figures, which are always used by ESS who inform this operating policy letter then it does slight because at the relevant date the increase in average earnings was still trailing inflation.

However, I am delighted that more recent quarterly figures show that wages are now growing faster than prices for the first time in quite a while. Had those figures been the ones used as a benchmark for this operating exercise then benefits would have gone up by slightly more than inflation, in fact by RPIX plus one third of the difference between inflation and the wage growth.

I hope and I expect that that is the situation we will find ourselves in again next year but it is always dangerous to predict what will happen in the economy for the year ahead. But even if wages do continue to outstrip inflation we may not see a strict RPIX plus one third of the difference increase in pensions and benefits next year because what we are proposing is a sophisticated double lock, well we think it is sophisticated anyway, with a look back provision.

Let me make clear what this means because it is setting out a policy for the future. It means a firm guarantee that the long term trend for pension increases will indeed be RPIX plus one third of the difference between that figure and average wage growth. That in turn means that those relying solely on their pension will, over time, become slightly better off in absolute terms but somewhat poorer in relative terms compared with the rest of the community.

Of course, we would have ideally preferred to protect their relative position compared with other Islanders by tying pension increases entirely to wage increases, but our clear actuarial advice is that would simply be unaffordable for the fund in the longer term. It would render the Guernsey Insurance Fund unsustainable unless, of course, we bought in even bigger increases in contribution rates than we are having to do now to plug the existing big operating deficit.

The proposed double lock gives an extra protection to pensioners. What it means is that even in those a typical economic circumstances, like the one we have seen for the last couple of years where wage growth is both below inflation, we will at least maintain the real value of their pensions. Is that affordable, some may ask. Well, it would not be if it was a standalone policy because the ratcheting effect of taking whichever figure was higher in a given year and completely ignoring what has gone before would render it unaffordable.

With the lock back provision we can afford to protect the real value of pensions in all economic weathers knowing that in the medium term the cost to the scheme will return to the trend line of RPIX plus one third of the difference between that figure and the increase in average earnings and that is important because what people earn dictates how much income the scheme is receiving.

We think it is an excellent formula to protect those relying on their state pensions during difficult times without rendering the scheme unaffordable. But, I should stress that even with the look back provision this operating policy is only affordable if the States sees through on its approved 10-year plan for contributions or, even better, replaces it with one that will generate the same level of contribution income but in a far fairer way.

Sir, talking about the 10-year plan and the sustainability of the Fund the proposal in this policy letter on the contribution side of the equation is strictly in line with that 10 year plan approved by this Assembly and which the Government Actuary tells us is the level of contribution income absolutely needed to make the Fund sustainable in the long term.

Of course, we are on record as saying that we would prefer to see that 10 year plan overtaken by events and by a more fundamental set of reforms to the contribution system to make it fairer and I will come back to that in a minute, but unless and until that happens it is absolutely crucial that we do press on with a plan already approved by this Assembly if we are not to see the Guernsey Insurance Fund bled dry over what is predicted to be a frighteningly short timescale.

Now moving on to a few other detailed proposals. Firstly, the proposed changed to the system whereby non-employed parents of children in respect of which Family Allowance is being paid are effectively given free pension contributions. At the moment that applies up to the point where the child in question reaches the age of 16, we propose that age should be reduced to 12 with effect from 1st January 2025 and frankly we think that reflects modern society where very few parents of secondary school aged children feel the need, or indeed have the financial opportunity, to remain outside of the workforce.

To be clear, the is not in any way saying to parents who are lucky enough to be able to afford to do so that they should not continue to be stay at home mums or dads. All it is saying is that if that is their choice then once their youngest child reaches 12 it is no longer remotely fair to expect other people, many of whom could not conceivably afford that lifestyle choice for themselves, to effectively pay their States' Pension as well as their own because that is what is happening at the moment. But before I move on from this point I think I should stress three things; firstly if people want to remain non-employed after their youngest child reaches 12 and they want to protect their pension record they can still do simply by buying voluntary contributions at the astonishingly good rate of £27.33 per week. This, sir, is a stonkingly good deal, it is certainly less than the real cost of actually providing this benefit. In fact, to my mind, it is a figure that we may have to look at again at some time in the future.

Secondly this change will be accompanied by a scheme to protect those parents who genuinely cannot return to employment for valid reasons. Thirdly, I have to flag up this may not be the end of the process, to our mind the age of 16 was clearly too high in the modern world to continue with and we did consider moving it to a much lower level but being aware of the dangers of unforeseen consequences we prefer to taken an incremental approach, but I have to say that in a few years time this issue may well be revisited.

Moving on another minor but important change we are proposing is to the Widowed Parents Allowance, this is to allow unmarried parents to be treated in the same way as married parents in the unfortunate event that their partner dies while they still have a dependent child or children. Not

135 only is this vital to comply with Guernsey's Human Rights Treaty obligations but my Committee also believes it is very much the right thing to do.

140 Finally, sir, we are proposing a root and branch review of the social security contribution system to make it far fairer and easier on those on modest incomes. Now we could have just pressed on and done this anyway but it will involve a lot of work and we really only want to commit those resources if we know the Assembly is supportive in principle. We believe that the Assembly is because when changes to our tax and contribution system have been discussed over recent months, and they have been discussed at great length, then this aspect has been just about the only one that has appeared to receive universal acclaim from the Assembly, but we would still prefer that that support in principle was on record through a vote before committing the resources to work up the detail.

145 But to be clear and, sir, Members should read my lips such support in principle will not in any way commit any Member of this Assembly to voting in favour of the detailed proposals when they come back if they do not agree with them. Sir, I am not going to go into detail on the principle on which that review of contributions will be based, not only are they set out clearly in the policy letter but they have been discussed *ad nauseum* by this Assembly in recent months.

150 What I will say in closing is that this review, as set out in our policy letter, could be altered by events later in this very States' meeting. One of the proposals from P&R in the Funding and Investment Report scenario 3 would also instigate a very similar but more far reaching reform of our social security system. If so, and I am speaking personally, well and good but of course we cannot be sure that those will be the proposals that will be accepted if indeed any are, so the proposals in our policy letter are very much needed as a fall back but do not be fooled into thinking the two are exactly the same.

155 Yes, both sets of reforms would follow the same general principles but the one set out in this policy letter would need to be cost neutral compared to the existing 10-year plan and that in turn would mean that the proposed new contribution allowance under these proposals would have to be far more modest than under those from P&R, that in turn would mean that why they will still lead to a fairer system and still lead to a system that helps those on modest incomes to a degree, it would be to a far lesser extent than under the proposals being promoted by P&R. Why? Simply, because without the other elements of that funding package we will not be able to afford to go anywhere near the whole of the way down that path of fairness and redistribution. In fact, probably the allowance, I do not want to pre-empt the detailed review, would be somewhere in line with the current threshold for Social Security payments as opposed to being in line with the current Income Tax personal allowance.

160 So, sir, you pay your money and it takes your choice or possibly you do not pay your money and your choices are far more limited, still worth doing certainly but to my mind missing the opportunity to grasp a real generational change for the better. Sir, I commend this policy letter to the Assembly.

The Bailiff: Deputy Le Tocq, is it your wish to be relevé?

175 **Deputy Le Tocq:** Thank you, sir.

The Bailiff: Got a full house. There has been one amendment submitted to these Propositions, Deputy Soulsby, is it your wish to move that amendment now?

180 **Deputy Soulsby:** Yes, sir.

The Bailiff: Thank you.

Amendment 2

To amend proposition 2 a) as follows:

After 'Letter' to insert:

" and the following;

1. a reduced employer contribution rate for employees over the retirement age to encourage longer working lives; and

2. a reduction in any allowance given to match that of the income tax allowance for higher earners; and

3. consideration of intergenerational fairness so that the employees of today do not pay disproportionately for the benefits of others due to demographic trends."

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Deputy Soulsby: Sir, whilst there are a number of amendments we are likely to vote on this week which will raise the blood pressure a bit, that should not be the case with this one. It is a straightforward amendment and I understand it is supported by ESS and I actually do thank them for working with us on this and enabling us to reach consensus, it feels like the old days actually.

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This amendment merely asks ESS to consider three factors when developing detailed policy proposals for a progressive restructuring of the social security contribution system. Now, I am broadly supportive of the principles that have been set out by the Committee, albeit I do have concerns about the impact on businesses which I will go into in more detail when we debate, hopefully debate, the Deputy St Pier, Deputy Vermeulen amendment later this week, hopefully.

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But I also hope that what is being set out is self explanatory. Members will already have seen two of them before when we debated the tax review in February. The first is about supporting longer working lives. We talk about greater participation rates and the desire, no the need, for longer working lives but what do we do to encourage it. There are challenges to working beyond retirement age, with age bias, changing skill requirements and in our current market we really should be doing more to support greater participation.

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I am thankful to Deputy Leadbeater and it is thanks to his successful amendment to the tax review P&R and ESS are tasked with reporting back on how obstacles can be removed that restrict or stop those wanting to work on a full time basis. This amendment would, we believe, help towards that goal.

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From information requested by Treasury in February the immediate cost of a 1% reduction in employer contributions would be less than £100,000 which reflects the small numbers of people over retirement age who are currently employed. However, it is expected that any reduction would lead to greater participation and therefore greater revenues in the longer term.

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The second factor which to be considered is the alignment with Income Tax. The proposals as currently set out will effectively turn social security contributions into an income tax with a personal allowance for everyone. Personal tax allowances as are currently structured are a useful means of benefitting lower and middle income earners, however, unlike Income Tax there is no consequent tapering of this allowance above a specific income band which is inappropriate given the growing inequality that such a universal benefit is introduced. It makes sense that it is treated in the same way as Income Tax and at the same income level.

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Now were the allowance to be the same as the proposals that we saw in February and we had tapering starting at £80,000 which P&R propose are the tapering limit from 2024, it could bring in an extra £400,000. And finally we come to inter-generational fairness, this concept encapsulates the idea that each generation should be treated fairly in terms of economic, social and environmental well being, that one generation should not unduly burden future generations or benefit at their expense. However, the proposed changes to social security contributions to improve the sustainability of the funds whilst an easy option is not necessarily the fairest from a generational point of view.

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Now this is something that, again, is dealt with in the Deputy St Pier, Deputy Vermeulen amendment and if that passes, which I hope it does, this will be taken into account more in the round but I do believe that this needs to be considered purely in respect of Social Security

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contributions. So that is it, a straightforward amendment, it does not undermine what ESS are trying to do but asks that consideration is given to other factors when bringing proposals back and I ask Members to support it.

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

Deputy Leadbeater: I do, sir.

The Bailiff: Just a minute, Deputy Roffey. Can I just check with you, Deputy Soulsby, are you speaking to Amendment 2 or Amendment 1?

Deputy Soulsby: Two.

The Bailiff: The reason I ask that is that although I am just checking as to whether it has been submitted, it has not been circulated to Members. (**A Member:** Yes, it has.) But has every Member got a copy of Amendment 2 on their desks? (**A Member:** Yes, we have.) So when I said that there had been a single amendment submitted I was working on the basis that the only one I had was Amendment 1 but we are debating Amendment 2 for the benefit of all Members' sakes and if necessary we will skip over the circulation point. Deputy Roffey.

Deputy Roffey: I would normally come in at the end but I think we all want to move as rapidly as we can. It might be helpful if I just make quite clear that Employment & Social Security absolutely support this amendment. I should clarify that does not mean that they support that every aspect, one, two and three here, will form part of the final proposals just that they are worthy of consideration. Very brief comments on each of them, I know that the idea of a reduced employer contribution rate for employees over retirement age has been considered in the past and, to my mind, it is incredibly fair because actually the employee contributions once you reach retirement age are only towards the Health Fund and the Long Term Care Insurance Fund, neither of which employers are expected to contribute towards. So there is even an argument to say there should be no employer contribution.

I think a previous situation of ESS, before I was involved, was worry that that might skew the employment market so that younger people found it difficult to be employed because they would be more expensive to employ than older people. It may have been valid at the time, I think there is going to be a labour shortage given our demographics for a long time to come, and I do not think that really is a strong argument anymore so I think it is definitely worth looking at this.

Two is, I think, slightly more problematic in the sense that the new system we are trying to bring in with a higher contribution rate but a personal allowance against contributions already is moving the burden considerably from the lower earners to the higher earners, that is a deliberate policy and this would take that far further. At the moment if you take tax and insurance together and how much money is taken out of peoples' pay packet by the Government and you compare us to Jersey, up to £35,000 a year people in Guernsey are worse off, more money is taken out of their pay packet, that is one of the reasons we want to bring in a Social Security allowance.

Between £35,000 and £135,000 Guernsey has the advantage that we are taking less out of peoples' pay packets through tax and Social Security but above £135,000 it swaps back the other way and Jersey has the competitive advantage. So, I think we would have to look very carefully at making sure that this proposal did not make us very uncompetitive at the top end but we are happy to look at it.

Intergenerational fairness is one of those concepts that sounds, well fairness is fairness of course it is good, but it is a quite subjective thing and most people are going to be of all ages so they may contributors now and is it unfair on them supporting all of these oldies, but in a few years' time they will be the oldie that is relying on support. So yes, I mean we will try to take it into account but it is

quite subjective. But I think putting these principles into a review makes absolute sense and I would urge States' Members to vote in favour of it.

The Bailiff: Deputy Gollop.

Deputy Gollop: Thank you, sir.

I agree with much of what my President has said, we had a lengthy discussion yesterday on this and other amendments and it is quite right. I do, however, support the tone of the amendment and the themes of it even if it has been suggested we should not be too prescriptive at this stage.

Intergenerational fairness that Deputy Roffey has alluded to is certainly a factor in the GST debate generally and I think it is too in what will turn out, Members are invited to workshops next week, on Supported Living and Ageing Well issues. The point here is one of our issues, we have a thankfully low rate of Income Tax across the board and as yet no GST or VAT, but what we do have are relatively high social insurance rates. So effectively if you are a younger person, local or non local, and you are working today you are, to a degree, paying for the older generations pensions and other contributory benefits because, of course, although there is five years money in the pot the reality is most of it is of a pay as you go nature and we are potentially seeing less and less proportionately workers of the younger generation keeping the older generation in a good standard of living.

Number two, reduction in any allowance given to match that of the Income Tax allowance for high earnings, of course, Deputy Roffey made a point about competitiveness that is the heart of everything we will do this week because how do we balance insuring that the less fortunate in our society do as well if not better than in Britain or western Europe, especially given our higher cost of living against the need for competitive advantage against the Isle of Man or Jersey and there are more questions. Outside people are saying to me we should have a fairer alternative, we should not be allowing people to not pay capital taxes here. But we are trying to balance all the time fairness, better targeting resources, greater efficiency against the competitiveness of our economy and that is a very difficult task to follow. When we went to Zero-10, for good reasons, we started a process whereby the better off in our society were paying more Social Security and that is still going to be the case today.

What I do believe in is we should encourage older workers and reduced employer contribution definitely should be looked at. I look at this last year, going back to the debate, I am recorded as saying that I was worried about pensioners ending up worse off, fortunately this year they have got a £17 per week increase and I said I would like to see a triple lock approach which, despite numerous Conservative Prime Ministers coming and going, still seems to be in their manifesto, perhaps for political rather than economic reasons.

In the UK the increase is whichever is greater of the rise in average earnings, like Guernsey, the Consumer Retail Price Index, not dissimilar, or 2.5%. Now a triple lock, of course, Deputy Roffey replied I do not think we can afford it and this again comes down to the questions because we are trying the impossible here, we are trying to maintain a more competitive fiscal environment than other jurisdictions or the UK but also ensure that people here are not worse off. Our pension might be £20 a week or so better off than the Isle of Man but the cost of living there is generally cheaper so I think it is a very difficult balance to get right and think that it is not just a matter for Social Security and our Committee, it has to be for the wider States to make the right moves today and over the next few years on a broader fiscal package.

The Bailiff: Deputy Inder.

Deputy Inder: Sir, I genuinely really was not going to speak but I will be supporting both the amendments and the policy itself but I just have to take Deputy Gollop, to a degree, to task. In his support for this he spoke about the competitive nature of Guernsey and he made reference to our ability to ensure that we are at least in line with both the Isle of Man and Jersey in some way, shape

330 or form, but I will make mention of this later on. Deputy Gollop is supporting an amendment later on in debate that puts us entirely out of step with our two competitiveness jurisdictions at 23%. So I do hope Deputy Gollop reflects on that amendment that he will be laying later on as he is reflecting on this amendment today.

Thank you, sir.

335 **The Bailiff:** Deputy Dyke.

Deputy Dyke: Thank you, sir.

340 Having just had time to study this amendment I think I share the concern that this Amendment 2 that Deputy Roffey has about the second part which is the reduction of any allowance given to match that of the Income Tax allowances for higher earners. So, the Income Tax allowances are withdrawn over a certain level starting at £90,000 at the moment, if we start doing that to social security as well we are going to add to what is a massive cliff edge of increases for people at that level and at that level you have got a lot of the finance sector and in terms of competitiveness I am
345 not sure that having this sort of effective very, very high tax rate at certain tranches of income is a terribly good idea, particularly of where they are at the moment.

So I think I would actually vote against this because we do have to remain competitive. We call these people higher earners but they are kind of at a base level of the finance sector, well not the base level but an essential sector of the finance sector so on balance I think this part might not be
350 a good idea.

Thank you.

The Bailiff: Deputy Matthews.

355 **Deputy Matthews:** Thank you, sir.

I will be supporting the amendment. I wanted to speak very briefly on Proposition 3 which talks about encouraging the Committee for Employment & Social Security to look at intergenerational fairness. Now that is something that I know Deputy Soulsby and I discussed previously and I think it is something that surprisingly has not had enough attention throughout many of the proposals
360 that the States has brought forward, but I think when you look at proposals from an intergenerational point of view you can sometimes get an odd result that is different to the result that you would get if you were looking at things from an income point of view.

So, I am sure that the Committee for Employment & Social Security would want to look at this anyway, but I think that it is useful to have that Proposition in there to put it at the forefront so that that came be something that is at the heart of considerations when they are made about changes.
365 So, I will be supporting the amendment.

Thank you, sir.

The Bailiff: Deputy Leadbeater.

370 **Deputy Leadbeater:** Thank you, sir.

I rise just to give some comfort to Deputy Dyke because he intends not to support this amendment at this point because all the amendment is asking to do is at the end of Proposition 2A is to give consideration to these three points, it is not specifically saying that these three points will
375 be included in the conclusions from the review, it is just to give consideration. So, just to give Deputy Dyke some comfort that he is not signing himself up to the devil if he supports this amendment.

Thank you.

The Bailiff: Deputy Haskins.

380 **Deputy Haskins:** Thank you, sir.

I do believe we should be being extremely quick with these because I do not think they are contentious. The only one thing that I would like to add, sir, is that I would request that the implications, the future implications on artificial intelligence or because of, are also considered because that might help to some informed decision making.

Thank you.

The Bailiff: Deputy Soulsby, as the Proposer of the amendment, to reply to that debate please.

Deputy Soulsby: Thank you, sir.

[Inaudible] ... 10:06:10 Amendment 2 which makes it clearer it is to consider rather than do, you might but I do not know if Deputy Dyke might have been looking at Amendment 1 which was the difference it is where the consensus compromises can with ESS.

Deputy Gollop, I think, was speaking more in general debate but I note the points he is making. I also note the points that Deputy Roffey made in respect to the allowance for higher earners and I think it would be good to see that modelling and see the effect of it which I do not think we have had and who could be impacted by it. So, that is where I am at the moment so it is not a contentious amendment and I ask Members to support it.

The Bailiff: Well, Members of the States, we come to the vote on Amendment 2 proposed by Deputy Soulsby, seconded by Deputy Leadbeater and I will invite the Greffier to open the voting please.

There was a recorded vote.

Amendment 2

Carried – Pour 39, Contre 0, Ne vote pas 0, Did not vote 0, Absent 1,

POUR	CONTRE	NE VOTE PAS	DID NOT VOTE	ABSENT
Aldwell, Sue	None	None	None	St Pier, Gavin
Blin, Chris				
Brouard, Al				
Burford, Yvonne				
Bury, Tina				
Cameron, Andy				
De Lisle, David				
De Sausmarez, Lindsay				
Dudley-Owen, Andrea				
Dyke, John				
Fairclough, Simon				
Falla, Steve				
Ferbrache, Peter				
Gabriel, Adrian				
Gollop, John				
Haskins, Sam				
Helyar, Mark				
Inder, Neil				
Kazantseva-Miller, Sasha				
Le Tissier, Chris				
Le Tocq, Jonathan				
Leadbeater, Marc				
Mahoney, David				
Matthews, Aidan				
McKenna, Liam				
Meerveld, Carl				
Moakes, Nick				

Murray, Bob
Oliver, Victoria
Parkinson, Charles
Prow, Robert
Queripel, Lester
Roberts, Steve
Roffey, Peter
Snowdon, Alexander
Soulsby, Heidi
Taylor, Andrew
Trott, Lyndon
Vermeulen, Simon

410 **The Bailiff:** And the result of the vote on Amendment 2 proposed by Deputy Soulsby, seconded by Deputy Leadbeater is that there voted in favour 39 Members, no Member voted against, no Member abstained, apparently one Member was absent and therefore I will declare Amendment 2 duly carried and we move into general debate on the Propositions as amended.
Deputy Queripel.

415 **Deputy Queripel:** Sir. thank you.
Sir, I want to focus on what we are told in paragraphs 7.2 and 7.3. We are told in those paragraphs the Committee are keen to establish a more dynamic approach to setting the duration of Unemployment Benefit and they want to do that because they feel it may encourage and incentivise
420 some claimants back into the workforce, they say benefitting the economy and reducing expenditure on Unemployment Benefit.

Sir, I applaud the intention but I do not see how that is going to work, which is why I would like clarification on that point from the President when he responds to debate because the way the system works, for the benefit of anyone out in our community who does not know how it works, an unemployed person does not just receive Unemployment Benefit because they could also receive
425 Income Support on a means tested basis and give them enough money to cover their living expenses. So when their Unemployment Benefit is stopped the way I understand it is they then receive more money via Income Support. So we are saving on paying out in Unemployment Benefit but then we are increasing in paying out more money in Income Support.

430 Sir, I just do not see how that is going to incentivise anyone to get back into work when they know that when their Unemployment Benefit is stopped it simply gets replaced by Income Support. So I am struggling with that one, sir, I look forward to the President responding to that when he sums up.

I am puzzled by what we are told in paragraph 9.2 where it says 'in the future the Committee would be keen to explore options whereby only those benefits payable under the provision of the Social Insurance Law and the Long Term Care Insurance Law are funded through Social Security contributions'. I am puzzled by the use of the word 'would' because there does not seem to be any commitment attached to that. If the sentence were to read 'in the future the Committee will be exploring options etc. etc. that displays commitment.
435

440 So, can the President please clarify whether or not the Committee will be exploring those options in the future and if they do carry out that work would a policy letter be laid in front of the States for debate. I apologise to Deputy Roffey if he focused on that issue in his opening speech I am afraid I missed it I was reading something. That is it, sir.

Thank you.

445 **The Bailiff:** Deputy Kazantseva-Miller.

Deputy Kazantseva-Miller: Thank you, sir.

I have had a very useful exchange of emails with the Social Security team which I thank them for. In relation to the concern that I expressed that the fundamental assumptions, current assumptions, of our operating policy is that it is based on RPIX, it is based on the actuarial projection that the median earnings will be higher than inflation by 1% over the long term. So that is a very fundamental projection, a long term projection of the actuaries.

So, in other words it is saying that the median wages, the earnings of our community will be above inflation. When I have looked at inflation and median wages figures over the last 10 years as part of the various tax debates we have had, my understanding is that median wages have not kept up with compound inflation over that period of time, which means over the past 10 years the community is worse off than inflation. So, this is the short term, you could say, period compared to the longer term actuarial projections but nevertheless I believe this kind of data needs to be looked at and as part of the regular actuarial reviews that are undertaken of the Guernsey Insurance Fund.

I was comforted in that this data is obviously taken into account but I would like that whenever we get the next policy letter and actuarial projections that this is specifically addressed. Whether the long-term assumption that the median earnings are likely to remain inflation still holds and likely to hold based on the evidence of the last decade that we have had and whether given that analysis whether actually changes to the fundamental policy are required.

I was assured that this is being considered anyway as part of the regular process of the actuarial review of the Insurance Fund so I am comfortable that this is being considered, but I do want to raise that I think that that is quite a substantial point because from what I have seen actually there is a divergence and what it basically means is that those who are on benefits in our community are effectively, over time, better off rather than the people who are actually paying contributions from their employment because their median wages are actually not keeping up. So I think that is quite a fundamental issue that we need to tackle head on.

I had a question in relation to Proposition 8 which is in terms of reducing the Family Allowance from children of the age of 16 to 12, so this will cover primary age children. I just want to understand what the current thinking in terms of the savings that might be achieved from the reduction of that Family Allowance, what will be happening in relation to those savings and obviously this is a further amendment to the Government Work Plan that we will be debating later, so that is a question to the President.

Thank you.

The Bailiff: Well, as I do not see any other Member rising to speak I will turn back to the President, Deputy Roffey, to reply to that short debate please.

Deputy Roffey: Thank you, sir.

It just goes to show I try not to bet everything into my opening and Deputy Queripel picked up on the two Propositions that I did not manage to cover. The flexible limit on how long you can claim Unemployment Benefit for, at the moment whatever the economic circumstances you can claim Unemployment Benefit if you become unemployed for up to 30 weeks.

Now, in the sort of climate we have at the moment where there are far more jobs around than people to fill them we feel that in those circumstances that can be shortened and to be fair I am not suggesting that people are staying on for 30 weeks, I think the typical one is just a few weeks. So, I do not think this will impact on many people but in fairness we believe that in those sorts of circumstances we should concertina the period of time in which they are expected to find work.

He said, 'Well won't that just put up the spending on Income Support', well not necessarily, no, for three reasons. First of all, it is not just poor people who become unemployed, there are plenty of people who become unemployed and can claim Unemployment Benefit, which is not means tested, who would not qualify in a month of Sunday's for Income Support. Secondly, of course anybody who has got savings above the threshold would not qualify for Income Support and, thirdly, they will not be able to receive Income Support without, unless they have got a good reason for not being able to work, there is a work requirement and therefore we would apply that work

requirement in exactly the same way as expecting people to return to work after a period of unemployment. So, I do not think that would happen.

The bit about 9.2, why say would rather than will as it is not just in ESS's gift. What we are talking about here is a historical hangover. We have got three types of Social Security payments, two of which will obviously continue one is the general Guernsey Insurance Fund which is for work replacement benefits such as the pension, the second one is the Long Term Care Fund, the third one is historically there used to be a fund that was administered by ESS to deal with health related matters such as the MSG contract. That has now been passed over to HSC to manage and depending on what happens later in this debate, might be dissipated like that, but we will see it has been handed over for them to manage but still we are collecting money through the Social Security system to put into it and that we feel is something that is not altogether rational and ought to be corrected at some stage but we would need to work with P&R and HSC over exactly how that is actually taken forward. It is not something that would be fair for ESS to just suddenly say we are not going to do that anymore because something else needs to be put in its place. Indeed, I do not want to get ahead of myself, but if scenario three went through I suspect the way of funding the larger social security allowances being proposed would be simply to no longer to expect that money to be passed across out of the Social Security Fund.

Deputy Kazantseva-Miller is worried about the assumption that over the long term growth in earnings will be higher than inflation, well that is indeed our expert actuarial advice. Our expert actuarial advice says 10 years is far, far too short a timescale to look at this and that is still the presumption but I am quite happy, we do have another five yearly review by the Government Actuary coming up in another year or so, to query that and to ask the Government Actuary's Department whether they still think that that is a safe assumption and if it is not we will need to look again at our operating policy. The irony is that when ESS set this current operating policy they really, really wanted to tie it to the increase in earnings to make sure that pensions could maintain their relative wealth if you like, wealth is perhaps putting it too strongly, relative spending power compared with the rest of the community and we were advised at that time that that was not affordable simply because wages tended to go up higher than inflation.

How big will the savings be under number eight? Relatively modest, I mean they would have been far greater if we had done this a couple of years ago but now nobody on earnings over £120,000 a year is in receipt of Family Allowance and therefore as a result of that is no longer receipt of the free pension contribution that goes with it, the Family Allowance, it will be lower. But it is still a point of principle, there will be some savings, savings that are worth having, we do not really know exactly what they are going to be is the honest answer but do not expect it to, for instance, change the equation when we come to look at more fundamental matters of financing the Island's income and expenditure going forward. They will be relatively modest but we believe that it is fair and we believe that those savings are worth having and I commend the policy letter to the Assembly.

The Bailiff: Well, Members of the States, there are 12 Propositions, does any Member wish to request that there be a separate vote on any of them or can I simply put the 12 collectively to you? No, in that case Greffier will open the voting in respect of all 12 Propositions together please. Proposition 2 has been amended.

There was a recorded vote.

Carried – Pour 39, Contre 0, Ne vote pas 0, Did not vote 1, Absent 0,

POUR	CONTRE	NE VOTE PAS	DID NOT VOTE	ABSENT
Aldwell, Sue	None	None	Le Tissier, Chris	None
Blin, Chris				
Brouard, Al				
Burford, Yvonne				
Bury, Tina				
Cameron, Andy				
De Lisle, David				
De Sausmarez, Lindsay				
Dudley-Owen, Andrea				
Dyke, John				
Fairclough, Simon				
Falla, Steve				
Ferbrache, Peter				
Gabriel, Adrian				
Gollop, John				
Haskins, Sam				
Helyar, Mark				
Inder, Neil				
Kazantseva-Miller, Sasha				
Le Tocq, Jonathan				
Leadbeater, Marc				
Mahoney, David				
Matthews, Aidan				
McKenna, Liam				
Meerveld, Carl				
Moakes, Nick				
Murray, Bob				
Oliver, Victoria				
Parkinson, Charles				
Prow, Robert				
Queripel, Lester				
Roberts, Steve				
Roffey, Peter				
Snowdon, Alexander				
Soulsby, Heidi				
St Pier, Gavin				
Taylor, Andrew				
Trott, Lyndon				
Vermeulen, Simon				

550 **The Bailiff:** In respect of all 12 Propositions there voted in favour 39 Members, no Member voted against, no Member abstained, one Member did not participate in the vote and therefore I will declare all 12 Propositions duly carried.

COMMITTEE FOR HOME AFFAIRS

**6. Forensic Medical Examinations Facilitated by a Sexual Assault Referral Centre –
Proposition carried**

Article 6.

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled 'Forensic Medical Examinations Facilitated by a Sexual Assault Referral Centre' dated 11th September, 2023, they are of the opinion:

To direct the preparation of the legislation set out in section 4 of this policy letter, so as to regulate the processes and procedures of the sexual assault referral centre, including the collection, storage and destruction of evidence collected as part of a forensic medical examination.

The Bailiff: I will invite the President of the Committee, Deputy Prow, to open the debate please.

555

Deputy Prow: Thank you, sir.

This policy letter before us proposes new primary legislation which is needed to establish the process for the collection, storage and destruction of evidence collected as part of a forensic medical examination (FME) performed at a sexual assault referral centre (SARC) following a request from an individual who has self referred to the service.

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Forensic medical examinations provide the victims, the service users, with an opportunity to promptly secure forensic evidence of sexual crime committed against them, even in circumstances where they may be uncertain whether they wish to report the matter to the police. FMEs are entirely optional for the user and they document the trauma of the assault and collect evidence that could be used in a criminal trial.

565

The proposed legislation will allow the sexual assault referral centre to collect, store and destroy evidence collected by the FME in line with the wishes of the service user giving them complete control and options about what happens. Self referral is recognised as a key aspect of the service and reinforces the service as being victim focused. Further this legislation will give those working within the sexual assault referral centre complete confidence that their actions are lawful.

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Sir, I have had a question in advance which I thank Deputy Fairclough for and, sir, I will deal with that now if I may. The question really related to making clear to those who attend the SARC about what their options are and whether they are properly explained. The legislation before us deals with the evidential underpinning of the actions of the SARC but, of course, in any process anybody attending the SARC the first focus is on the wishes of the victim and indeed offering care and support. There will be procedures which will be developed under legislation but also there will be procedures as to how the SARC conducts itself and there will be extensive training which has actually started for those that are offering that advice or indeed are involved with the forensic medical examination.

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So that, I hope, gives some background to that aspect of it and, of course, anybody attending the sexual assault referral centre can be assured that any matters dealt with are done in complete confidence. So, sir, I urge the Assembly to support these Propositions. The proposals and propositions are vital in order to close a legislative gap that will support both service users and those working within the sexual assault referral centre.

580

Thank you, sir.

585

The Bailiff: As no Member is rising to speak in debate on this Proposition there is nothing for the President to reply to and I will simply invite the Greffier to open the voting on the single Proposition please.

590

There was a recorded vote.

Carried – Pour 39, Contre 0, Ne vote pas 0, Did not vote 4, Absent 0,

POUR	CONTRE	NE VOTE PAS	DID NOT VOTE	ABSENT
Aldwell, Sue	None	None	Haskins, Sam	None
Blin, Chris			Le Tissier, Chris	
Brouard, Al			Matthews, Aidan	
Burford, Yvonne			Roffey, Peter	
Bury, Tina				
Cameron, Andy				
De Lisle, David				
De Sausmarez, Lindsay				
Dudley-Owen, Andrea				
Dyke, John				
Fairclough, Simon				
Falla, Steve				
Ferbrache, Peter				
Gabriel, Adrian				
Gollop, John				
Helyar, Mark				
Inder, Neil				
Kazantseva-Miller, Sasha				
Le Tocq, Jonathan				
Leadbeater, Marc				
Mahoney, David				
McKenna, Liam				
Meerveld, Carl				
Moakes, Nick				
Murray, Bob				
Oliver, Victoria				
Parkinson, Charles				
Prow, Robert				
Queripel, Lester				
Roberts, Steve				
Snowdon, Alexander				
Soulsby, Heidi				
Taylor, Andrew				
Trott, Lyndon				
Vermeulen, Simon				

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The Bailiff: On that single Proposition there voted in favour 36 Members, no Member voted against, no Member abstained, four Members did not participate in the vote and therefore I will declare the Proposition duly carried.

Procedural – Order of business

The Bailiff: Deputy Taylor.

600

Deputy Taylor: Well, sir, I was going to just see if I could attempt a motion to reorder the debate again to put the Government Work Plan ahead of the Funding & Investment Plan on the basis that the Funding & Investment Plan refers to things that are being agreed in the Government Work Plan and also that the three capital portfolios all include a new project that these will not have debated. So, I wonder if I can try that as a motion, if I am not too late.

605

The Bailiff: I am happy to put the motion to Members who have already voted to reorder your business once. Suggested by Deputy Taylor that the Government Work Plan should be dealt with before the Funding & Investment Plan.

Members voted Contre.

The Bailiff: I will declare that lost.

Deputy Taylor: Can I request a recorded vote, sir.

The Bailiff: You can request a recorded vote once we get a procedural motion up. Well, Members of the States, I am going to invite the Greffier to open the voting on the procedural motion to return the order of the two Policy & Resources Committee matters to where they were before. Please open the voting, Greffier.

There was a recorded vote.

Carried – Pour 19, Contre 20, Ne vote pas 1, Did not vote 1, Absent 0,

POUR	CONTRE	NE VOTE PAS	DID NOT VOTE	ABSENT
Blin, Chris	Aldwell, Sue	None	Le Tissier, Chris	None
Brouard, Al	Dudley-Owen, Andrea			
Burford, Yvonne	Dyke, John			
Bury, Tina	Haskins, Sam			
Cameron, Andy	Helyar, Mark			
De Lisle, David	Inder, Neil			
De Sausmarez, Lindsay	Le Tocq, Jonathan			
Fairclough, Simon	Leadbeater, Marc			
Falla, Steve	Mahoney, David			
Ferbrache, Peter	McKenna, Liam			
Gabriel, Adrian	Meerveld, Carl			
Gollop, John	Moakes, Nick			
Kazantseva-Miller, Sasha	Murray, Bob			
Matthews, Aidan	Oliver, Victoria			
Queripel, Lester	Parkinson, Charles			
Roffey, Peter	Prow, Robert			
Soulsby, Heidi	Roberts, Steve			
St Pier, Gavin	Snowdon, Alexander			
Taylor, Andrew	Trott, Lyndon			
	Vermeulen, Simon			

The Bailiff: In respect of that motion to reorder the business there voted in favour 19 Members, against 20 Members, one Member did not participate in the vote and that is why it was lost.

POLICY & RESOURCES COMMITTEE

**5. Funding & Investment Plan –
Debate commenced**

Article 5.

The States are asked to decide:-

Whether, after consideration of the policy letter entitled 'Funding & Investment Plan' dated 11th September 2023, they are of the opinion:-

1. To agree that the financial position of the States requires urgent attention and that, as a bare minimum, the following core measures should be agreed which will temporarily stabilise the position:-

- a. implementing the package of core cost reduction targets and revenue raising measures set out in Appendix 1;*
- b. maintaining the current level of the General Revenue Reserve in this term;*
- c. investing up to £95m to complete the 'in flight' capital schemes as set out in Appendix 1; and*
- d. investing in the policy, strategies and plans agreed as part of the Government Work Plan over the remainder of this term of government; and to authorise the Policy & Resources Committee to implement these agreed measures.*

AND IF PROPOSITION 1 IS APPROVED:- SCENARIO 3

2. To agree that the States shall address the current and future expected structural deficit and historical chronic under-investment in public infrastructure by way of the following measures:-

- a. implementing the full progressive tax and benefits package as proposed to the States in early 2023 (see item 5, entitled "The Tax Review: Phase 2, P.2022/112" on Billet d'État No. III of 2023 P.2022/112) and set out in Appendix 1, in order to put the finances of the States into a sustainable position thereby being able to afford future capital investment, address the deficit and begin to rebuild reserves;*
- b. agreeing that the Policy & Resources Committee should work with Principal Committees to develop a plan for the use of ring fenced funds of £2.5m per annum for social and community benefit, as set out in Paragraph 8.2 of this policy letter;*
- c. adopting Portfolio 3 estimated at a total of £520m (including the in-flight schemes), as set out in Appendix 1, as the agreed major capital investment portfolio for the remainder of this term;*
- d. on the basis that funding available is insufficient to fund Portfolio 3, agreeing therefore that new borrowing should be taken out to support the funding of major capital expenditure; and*
- e. increasing the authority granted to the Policy & Resources Committee in Resolution 161 on item 1, entitled "Government Work Plan 2021-2025, 2021/71", of Billet d'État No. XV dated 21st June 2021, to enable the Committee to take out new borrowing to a maximum of £350m; and to authorise the Policy & Resources Committee to implement these agreed measures.*

OR IF PROPOSITION 1 IS APPROVED BUT PROPOSITION 2 IS NOT APPROVED:- SCENARIO 2

3. To agree that the States shall address historical chronic under-investment in public infrastructure by way of the following measures:-

- a. adopting Portfolio 2 estimated at £440m (including the in-flight schemes), as set out in Appendix 1, as the agreed major capital investment portfolio for the remainder of this term;*
- b. on the basis that funding available is insufficient to fund Portfolio 2, agreeing therefore that new borrowing should be taken out to support the funding of capital expenditure and that the balance of the Health Service Reserve should be used to fund the Our Hospital Modernisation Programme; and*
- c. reaffirming the authority granted to the Policy & Resources Committee in Resolution 16 on item 1, entitled "Government Work Plan 2021-2025, 2021/71", of Billet d'État No. XV dated 21st June 2021, to take out new borrowing to a maximum of £200m; and to authorise the Policy & Resources Committee to implement these agreed measures and direct it to return to the States by September 2026 with proposals for addressing the deficit and putting the finances of the States into a*

sustainable position. 1 This Resolution authorised the Policy & Resources Committee to take out new external borrowing up to a total maximum of £200million for a period of up to 40 years, on such terms and conditions as the Committee deem appropriate.

OR IF PROPOSITION 1 IS APPROVED BUT PROPOSITIONS 2 AND 3 ARE NOT APPROVED:-
SCENARIO 1

4. To agree that the States shall limit investment in public infrastructure to critical investment only until such time as measures are agreed to address the structural deficit and to:-

a. adopt Portfolio 1 capped at £190m (including the in-flight schemes), as set out in Appendix 1, as the agreed capital investment portfolio for the remainder of this term;
b. limit major capital expenditure to funds of £190m available from within existing reserves; and
c. rescind Resolution 16 on item 1, entitled "Government Work Plan 2021-2025, 2021/71", of Billet d'État No XV dated 21st June 2021 authorising the Policy & Resources Committee to take out new borrowing to a maximum of £200m; and to authorise the Policy & Resources Committee to implement these agreed measures and direct it to return to the States by September 2026 with proposals for addressing the deficit and putting the finances of the States into a sustainable position.

AND, ONLY IF PROPOSITION 2 IS APPROVED TO AGREE EITHER:

5. As part of the package of progressive measures as set out in Scenario 3 in Appendix 1, to introduce a broad-based Goods and Services Tax at a rate of 5%, as laid out in Section 8 of this policy letter, with minimal exemptions and zero rating.

OR:

6. As part of the package of progressive measures as set out in Scenario 3 in Appendix 1, to introduce a broad-based Goods and Services Tax at a rate of 6% with minimal exemptions and zero rating excepting that a zero rate should be applied to food and non-alcoholic drink products, as laid out in Section 8 of this policy letter.

AND IF PROPOSITION 5 OR 6 IS APPROVED

7. To agree that the legislation implementing the introduction of Goods and Services Tax shall come into force on 1 January 2026 and remain in force until 31 December 2032, unless extended for such periods as the States may by Resolution determine following recommendations by the Policy & Resources Committee.

AND

8. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

The Bailiff: Deputy Helyar, are you going to open on the Funding & Investment Plan?

630

Deputy Helyar: Yes, sir, thank you.

Sir, I initially intended to open with a quote from Dickens but as a result of a recent meeting to which I will return I have decided to take some learning from Victor Hugo, that best known of French exiles who, like me, so dearly love this Island and its people. As it turns out there were many suitable
635 quotes I could have chosen, for example 'perseverance is the secret of all triumphs or perhaps more aptly in current circumstance, 'short as life is we make it shorter by the careless waste of time'. The ideas and work of Victor Hugo are as important in the modern context and to the context of this very debate as those ideas were when expressed some 170 years ago.

Hugo campaigned for the benefit of the poor, to abolish slavery and for the rights of women all
640 of which remain important, and in some cases, directly under threat today. The reason I mention this is because we had a recent presentation from the team intended to launch the new Victor Hugo Centre which was truly inspiring, a positive, transformational vision for our sea front, our hospitality industry, for education, the arts and culture and at the same time giving Guernsey a sustainable place and even voice on the world stage based on Hugo's vision.

645 The juxtaposition between the positive and what we, as a Government, had to offer this outstanding and important project was quite striking to me because we are so financially

constrained we could offer nothing more than hollow words of support. Why do I mention this? Well because Guernsey is still a beautiful, bountiful and resourceful place full of thoughtful local innovators and people willing to take risk, use their initiative to generate business or to undertake projects like the Victor Hugo Centre or perhaps the recent Renoir Exhibition. (A Member: Hear, hear.) Hugo is still revered worldwide and with his homeland just a few miles away the opportunities such a place represents to our community are immense.

The Guernsey that I love where countless generations of my forbearers have lived, loved, married, raised their families and died has a real enduring quality and beauty. It has real prospects, real resourcefulness, it has real opportunities and should be a place where we, as politicians, ought to be providing an environment where our children are well educated, our sick and elderly are well cared for and with a safe, thriving environment and economy. (A Member: Hear, hear.)

It should be a progressive place which welcomes the wealthy and business to contribute to the overall betterment of our economy. (A Member: Hear, hear.) On almost every metric set out by the OECD, with the notable exception of housing and associated costs, Guernsey already does better than almost anywhere else.

Since 2020, sir, we have developed a Work Plan which brings together all of the aspirations both service driven and capital based of all of the Committees of Government for the first time. You will probably hear P&R this, P&R that from those who would like to decry personality of politics whilst majoring them. These are not P&R's projects and proposals they are the Assembly's and it is for the Assembly to now decide how, or indeed whether, they can be afforded and what steps should be taken to do so.

The extensive work undertaken to consult with Committees has enabled us to decide what to prioritise and most importantly in this debate the different means as to how to pay for it or not. During that same period from 2020 we have done three years of work on examining our tax system taking expert advice and asking representative organisations and the public about their views and what they want us to do about those priorities and how they are paid for.

We have also consulted extensively with Deputies through a green paper, a policy letter earlier this year and since then. Many, but notably not all, Deputies took the opportunity to attend those sessions and give us their feedback working collaboratively to develop proposals. A few, as we shall see over the next few days, did not engage despite being encouraged to do so on many occasions.

As a result of these otherwise extensive discussions and deliberations the plans and options we have put together have mutated into the resolutions which are before the Assembly today. We have been listening to all those who will collaborate and I thank them for their attendance and input but it is impossible to hear the views of those who are rarely, if ever, present but are content to express strong opinions whether in this room, in their press columns or when the cameras are rolling.

So, what were the headlines of those deliberations, what did we find out from Deputies, from experts and from the public on our journey to this debate? Firstly, our investment returns are, in large, the only income source protecting us from an operational deficit. If we spend them we will not only lose that investment income but will not be able to maintain a longer duration portfolio which is more likely to attract higher returns and grow larger and sustainable long term returns.

Protecting our reserves is therefore a vitally important part of the proposals before the States in this policy letter and is at the heart of all proposals. It is not only key to maintaining and, hopefully, improving our reserve position but to provide a cushion against economic or other threats. We must remember that our rainy day fund, now known as the Core Investment Reserve, is over £450 million short of funds. We should, if we can, be topping that up whenever we can.

We live in very uncertain times with war looming in the Middle East and much talk of economic recession as a result of a decade of printing money by developed economies. We need to be ready to protect the Island's economy if we need to do so and the cupboard is far more empty than I would personally like to see.

Now, when we looked at the Portfolio in the GWP there were obviously some key things we should be doing. Many of these already arose from the resolutions passed earlier this year in the tax debate. These things which we should be doing anyway are described in the policy letter as core

proposals under Proposition 1. These include raising £25 million from motor based taxes and corporation taxes and targeting £10 million of savings. These proposals which in previously years which would have given rise to much public debate, perhaps even marches and protests, have been largely accepted in our consultation as achievable and even reluctantly desirable before taking any step towards other possible revenue raising methods.

We have discussed with the relevant Committees, including E&I who I believe and we believe they can be achieved relatively quickly. The message we would like Members to accept is that these core items in Proposition 1 must be done and as soon as possible to stabilise the States' income position. If we leave only having agreed those things when we will have started to generate some revenue headroom which can only help to assist with even some of our smaller projects. Leaving with having achieved just this will, therefore, be a move in the right direction.

We took expert advice about our credit rating and what might affect it going forwards from the International team at Ernst & Young. They calculated the amount of leverage we have relative to our economy as this is what is one of the prime drivers of credit ratings. In that advice and in the presentations they advised us that we have sufficient headroom for borrowing another £750 million in addition to the £330 million we already owe under the current bond.

The problem with such a vast number is, of course, that we do not have sufficient income to cover its repayment at that sort of level. Their advice that our primary risk, our primary risk, is the inability to reach a conclusion on a funding plan, that risk is now front and centre in this debate. We also found out, unsurprisingly in a flurry of red ribbons, that not all Deputies or the public like the ideas of consumption tax and many would like to see savings or other opportunities targeted first, whether they be quixotic windmills or otherwise.

Sir, because we were asked to by Deputies we have created a series of options in the proposals which do not include consumption tax but, and it is a big but, the *quid pro quo* for not raising larger amounts in taxation at this time is that we cannot afford the capital programme set out in the Government Work Programme or borrowing to the extent suggested by E&Y as possible and we have to cut our cloth whether by shelving or by phasing projects over longer periods. This can only be a sensible and pragmatic approach to the problems we face. Of course that will come with consequences in terms of decline in our infrastructure and services.

Savings are a large part of the public's concern so we have also included savings as part of a specific Committee and consulted with the public and received well over 1,000 suggestions which are in the process of being assessed and ranked alongside a set of criteria designed to assess suitability. This is part of the core proposals and must continue in order to ensure the public's ability to interact with us on costs and to ensure transparency.

We also had a report from an independent fiscal panel of experts. They concluded several things that we have been saying now for the past two years. We are at the very bottom of the OECD list in terms of investment in infrastructure as a function of GDP and Guernsey collects the lowest amount of tax from our economy of all of them. (A Member: Hear, hear.) The figures for our public costs say it all. The cost per person is about £12,000 yet the average taxpayer pays only £7,000 per year. I do not apologise at all for using Deputy Trott's own words in this regard, they are always a balanced and accurate reflection of the very basis of our current problem.

Now, this panel concluded that in order for our economy to keep pace with infrastructure investment in the rest of the OECD that we should be investing 3% on average of our GDP, not 2% as P&R has advocated or even the even lower figure of 1.5% which will be mooted elsewhere. The ultimate conclusion is that we are not collecting enough tax from our economy to keep pace either with the growing demographic issues or even just to keep pace with the rest of the OECD and this is the issue which really concerns me.

In only a few years' time we will have more than 5,000 more pensioners. They will need more pensions and health care which we have absolutely no means whatsoever of affording, none and the best way to avoid the funding crisis, which our children and grandchildren will have to pay for, is to start paying for it in moderation as soon as possible. (A Member: Hear, hear.)

750 Now it is not easy to create proposals over such a vast portfolio with so many moving parts. It would never be capable of pleasing everyone in a 40-person executive committee which makes up this Assembly. When I explained this process to the business community I am often met with a look of incredulity because when it comes down to it one Deputy's favourite pet capital project is another's spruce goose. (*Laughter*)

755 There are so many variables that we could have created an infinite number of options and it is easy to score political points by taking pot shots and nit picking at the approach but we have to land somewhere with a broad range of options. So Treasury invested a great deal of time looking at the development of capital and other plans, checking their progress and speaking to Committees and Officers and looking again and again at their prioritisation together with those Committees.

760 Of course, one of the key elephants in this room is that we live in a binary star system in terms of our Committees. The two largest of which, in ESC and HSC, circle around one another at the top of the capital cost list. Now speaking personally I do not want to see people suffering or worse as a result of inadequate hospital facilities, but neither do I wish to see our youth, on which so much depends, being taught in facilities with no heating and leaking roofs or in tents. (**A Member:** Hear, hear.)

765 It was thus our mission to try and ensure proper regard was had to both of the largest projects in our portfolio in a knowledge that a fight to the death over one or the other would only result in a negative outcome for either school children or patients or perhaps a fudge which we cannot afford in the longer terms.

770 It has been our unenviable task in P&R to try and balance those competing interests and present them to the Assembly for its decision. None of this is, of course, assisted by the fact that so little has been done by way of capital projects in the past decade, leaving a residue of worn out and aging infrastructure which is becoming ever more urgent to maintain and, or replace.

775 So I turn to the Propositions as they now stand. The first, as I have said, is the most critical is to agree the core list. As I have already indicated this includes £25 million by way of corporate and motoring taxation together with £10 million of cost savings. Our view is that this is a reasonable assumed amount, any higher is unlikely to be achievable. The core portfolio includes spending on £95 million of projects already in hand. There has been very little opposition to these proposals in the run up to debate and they appear to be generally accepted, despite the fact that in former years they might have met significant resistance.

780 The next option, Option 1, which builds on the core proposals, suggests a slightly wider group of projects be completed by using some reserves, up to £190 million and replenishing them with the proceeds of the revenue raising proposals in the core. However, the lack of revenue available to top up reserves leaves the ability to spend on several larger projects unavailable. There would be no additional borrowing or costs and under this Option 1 scenario the schools and hospital projects would have to be shelved for the foreseeable future. This is effectively a treading water scenario. It would result in an urgent review being required on revenue early in the next political terms. It is effectively not sustainable from an income or revenue perspective in the mid to long term.

790 Now Option 2 goes further. By using the health reserve and the core proposal income combined with an additional £200 million of borrowing and some project phasing it becomes possible to undertake both the school and hospital projects but two large inevitable ones being inert waste and SAP (the States Accounting System) would have to be put on the shelf as unaffordable for the time being. As I am sure Deputy Roffey may point out in debate, this is physically not an issue we can ignore indefinitely unless we want to waste an inner waste mountain at Longue Hougue just as the Cayman Island's did with their used tyres for many years.

795 So the core is what we are advising is necessary. Option 1 is a much reduced portfolio with no borrowing; Option 2 is borrowing in schools and hospital and health reserve released. So far, so good. Option 3, together with the core proposals, comes closest to accommodating the full spending ambitions of the Assembly in a sustainable and long term way if based on a 2% target figure for our capital expenditure which has recently been challenged by the fiscal review panel as needing to be closer to 3%.

Members are already familiar with most of it because it was debated at length in January and February this year. So, I am not going to labour the point. Members have other options but we do not present an option where we can do everything and not substantially raise taxes because we simply cannot afford to do that.

Option 3 includes a consumption tax, or GST, at 5% or 6% without food being included. It raises sufficient to allow substantial restructure of the Income Tax system and the Social Security system. It is, by far, the fairest alternative. It is highly progressively and will help those industries with the lowest paid by reducing Income Tax to 15% of the first £30,000 of earnings.

In particular supporting and enhancing take home wages in the nursing, care, building and hospitality sectors. We are very likely to hear some repeated nonsense in this debate that returning public money to the public is a cost of GST. Sir, reducing the tax and Social Security liabilities of the poorest workers in our society is absolutely not a cost. Returning tax to the poorest while charging the wealthy more through management of allowances and a consumption tax is not, is not a cost. There is no such thing as Government money. **(A Member: Hear, hear.)** There is only public money. **(A Member: Hear, hear.)**

Describing the returning of tax and Social Security monies to those who need it most as a cost, in my view, is perverse. Thankfully this message about people being better off has landed much better in recent months through careful work and education on the basics of the proposals. Even many of the most hardened campaigners have come to accept that the proposals represent better circumstances for the lower paid. It represents a restructure of the tax system, which our colleagues in Jersey have reluctantly accepted they would probably have to follow suit to ensure competitiveness for workers in the same sectors, which I just mentioned.

Option 3 also allows borrowing to smooth the effect of two larger projects in close succession. The borrowing would be dealt with in the early stages as a facility or facilities with the flexible ability to draw down and it is likely this will be refinanced over a longer period by some form of further Government bond. After this initial expensive project phase Government Capex should fall back to lower levels.

Now, I was asked a very important question in one of the presentations by a States' Member which is, 'What has changed since the last time we debated this? Can we identify a tipping point?' Well a great deal has changed since the beginning of the year. We are not shaking a stick at Members we are presenting a set of options, which also do not include a consumption tax which is what many have asked for but with the explicit, explicit consequence that if we do not raise revenue we simply cannot afford the shopping list which is being created and the public will have to accept a poorer quality and extent of public services than we enjoy at present.

We have been working hard at building a credible agenda for cutting costs which we intend to pursue as far as possible. I sense and I know, so do many others, a change in public mood, better understanding of the issues and what is likely to be required to solve them. **(A Member: Hear, hear.)** Nobody is going to want to pay more tax. The tipping point is wide ranging support from business organisations and much greater level of engagement from the public and better understanding of the proposals to redesign our tax system to make it fairer overall and match fit for the future.

We have also engaged in a different way in order to try and educate beyond the dreaded three letter GST acronym about what services cost, about how things are inevitably only going to get worse because of the dependency ratio and, most importantly, because we remain in the position where no credible options have come to the fore despite international expert advice and months and months of meetings, consultation and feedback.

Sir, there are no other credible options out there, none, which retain our competitiveness and a level playing field with other jurisdictions whilst raising sufficient revenue. Forming a new committee to look at the same things which were done in 2015 and have been done for the past three years would be a hugely irresponsible waste of further time and effort when there is no prospect whatsoever of finding a solution which has not already been thoroughly investigated at great investment of time and cost.

855 So, P&R is saying to Members bite the bullet, let us move this Island forward and upwards, we have just been through two years of very high inflation, few businesses except those builders on fixed price contracts have gone to the wall. Yes, there will be some short term pain with Option 3 but there will be long-term gain for the betterment of our children and grandchildren (**Several Members:** Hear, hear.) who will otherwise have to bear the longer term and higher costs. Vote for better medical and school facilities, (**A Member:** Hear, hear.) fixing our broken harbour infrastructure, investing in sport, the arts and culture. Resolving our waste problems and ultimately preparing ourselves for the future. There are many others that I could name, that are not even on the list yet, the Dairy, the harbour marina project, the Supported Living and Ageing Well Strategy, none of this is even costed yet.

860 Sir, Members have options. They must understand that Options 1 and 2 combined with the core propositions only tread water and buy time. They are an outcome but they are just treading water. Inevitably as cost pressures continue to rise we will again soon start to erode our reserves and leave a future Assembly in a much weaker financial position to be faced with the same decision that is facing us today.

870 Sir, I urge Members for the sake of the future of this great Bailiwick to make a difficult decision which albeit undesirable for some will help to secure us all against uncertain times. As I said at the outset Victor Hugo said:

Short as life is, we make it still shorter by the careless waste of time.

If we choose Option 1 or 2 or a combination we are simply putting off an inevitable decision and wasting that time, time for which our children will have to pay. I urge Members to take courage, however difficult, do the right thing and support Option 3 and take Guernsey forwards.

Thank you.

875 **A Member:** Hear, hear.

880 **The Bailiff:** Well, Members of the States, there have been a number of amendments submitted. I have set out the order in which I propose to take them on the Order Paper and the first of them is Amendment 4 proposed by Deputy Soulsby, seconded by Deputy St Pier. So, Deputy Soulsby, do you wish to move that Amendment now?

Amendment 4

To delete all the propositions and substitute therefore:

1) *To reaffirm that, for modelling purposes, the Policy & Resources Committee should use the targets established and approved as policy by the States or through direction by Committees, including the targets for population growth and investment returns set out in Appendix 1.*

2) *To note that the States is under resolution as agreed in Tax Review: Phase 2, Billet d'Etat III, Article 2022/112 dated 30th January 2023, that the longer-term financial position of the States of Guernsey is unsustainable and effective measures must be implemented in a staged approach to mitigate challenges, particularly those arising from an ageing demographic with increased health and care needs, requiring:*

- Delivery of expenditure restraint, savings and revenue raising;*
- The identification of a longer-term vision for Guernsey and an accompanying economic, social and environmental model;*
- The consideration of alternative funding models for capital projects;*
- The development and delivery of revised health and care models; and to agree that the work associated with this issue is a very high priority for government, and resources need to be re-prioritised accordingly.*

3) *To agree to invest in the policy, strategies and plans approved as part of the Government Work Plan over the remainder of this term of government. Expenditure restraint and revenue raising.*

- 4) To direct the Policy & Resources Committee to prepare the States of Guernsey Annual Budget for 2025 to include a £4m real-terms reduction in revenue expenditure.
- 5) To direct the Policy & Resources Committee to apply the OECD Pillar 2 initiative setting an effective rate of tax of 15% to companies with global revenues of more than €750m, raising a minimum of £10m per annum from 2025.
- 6) To direct the Policy & Resources Committee to implement vehicle and parking taxes raising an estimated £10-£15m per annum (includes corporate parking, parking and vehicle/road taxes) from mid-2025.
- 7) To direct the Policy & Resources Committee to implement by 2026 further measures to increase revenue by £10m per annum from the corporate sector including review of the Guernsey Registry Fees, introduction of an additional levy and any feasible adjustments to the 0-10 regime.
- 8) To direct the Policy & Resources Committee to implement an Open Market inscriptions policy as developed by the Committee for the Environment & Infrastructure, pursuant to the Population and Immigration Policy Review Policy Letter dated 5th September 2022.
- 9) To direct the Policy & Resources Committee, pursuant to Resolution 11 of Billet d'Etat III, Article 2022/112 dated 30th January 2023, to progress the introduction of a tourism levy to raise a minimum of £2m from 2025.
- 10) To direct the Policy & Resources Committee, as from 2025, to increase the current personal tax caps of £150,000 and £300,000 to amounts that the Committee believes are appropriate, taking into account the need to generate additional revenue and making income tax more progressive and to ensure that any increased caps do not unduly negatively impact Guernsey's competitive position particularly, with regard to Jersey.
- 11) To direct the Policy & Resources Committee to implement an additional real terms increase of £1m per annum of budgetary revenue raising measures. Capital expenditure and reserves
- 12) To reaffirm that the States should continue with, until further policy is developed, Principle 6 of the Fiscal Policy Framework approved in January 2020 that capital 3 expenditure over any States term should be maintained at a level which reflects the need for long and medium term investment in infrastructure and 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% per year averaged over any eight year period.
- 13) To direct the Policy & Resources Committee to prioritise housing and thereafter to reprioritise the capital portfolio (of 'in-flight' projects and those outlined in Scenario 3) to fit into the capital expenditure envelope outlined in Proposition 6) having given specific consideration to the capacity of: the construction industry; other relevant contractors; the States to deliver capital projects; and the timing of delivery of capital projects.
- 14) To agree that Our Hospital Modernisation ('OHM') programme aligns with the criteria under which the Guernsey Health Reserve has been created and agree that the majority of the Guernsey Health Reserve can in principle be used to help fund the OHM programme between 2024-2032 and to ring fence at least £50m of the reserve for that purpose and release it as required based on the capital spending timeline developed by the Committee for Health and Social Care to 2030.
- 15) To agree to maintain the level of the General Revenue Reserve this political term which acts as one of the determinants of Guernsey's credit rating.
- 16) To agree that, based on Scenario 4, up to £100m of borrowing may be required to help finance capital expenditure, and to reduce the maximum new borrowing authorised in Resolution 16 on item 1, entitled "Government Work Plan 2021-2025, 2021/71", of Billet d'Etat No XV dated 21st June 2021 from £200m to £100m.
- 17) To agree that the employer contribution rate in respect of the defined benefit scheme part of the States of Guernsey Superannuation Fund be decreased to 0.00% for the period 1 January 2024 to 31 December 2026 having regard to the Fund being 107% funded based on the 2020 actuarial valuation, making around £76m available to fund capital expenditure and GWP priorities.

Conclusion

18) To note that, following the amendment to the Tax Review: Phase 2, Billet d'Etat III, Article 2022/112 dated 30th January 2023, the States directed the Policy & Resources Committee to undertake a series of work streams to explore various savings and revenue raising opportunities and to report back on the impact of measures arising from these propositions by June 2026 and any measures necessary to address the sustainability of the financial position and to agree that, when reporting back at that date, to include the impact of the additional measures as set out in the above propositions.

19) To direct the preparation of such legislation as may be necessary to give effect to the above decisions."

885 **Deputy Soulsby:** Yes sir, I do.

Sir, I would like to begin by acknowledging the hard work put in by those behind the scenes in the lead up to this debate. A lot of effort has been put in to both prepare the policy letters and also provide support to those of us laying amendments. Whether they agree with what is being put forward or not is neither here nor there and I would just like to thank them for that.

890 And, well done to Deputy Ferbrache for engaging in social media, something a few of others of us have been doing for quite some time it has to be said, but at least he listened and gave it a go and I think he has worked hard in putting his proposals across. Has it made a difference? Well, I think it has helped more especially in getting the message across that we cannot do nothing. But of course, we are not re-running the previous debate, we have a different set of Propositions and there are some similarities but some obvious differences.

895 The comparison with the film world is obvious and we have already had Deputy St Pier taking on the role of Mark Kermode or those of an older vintage, Barry Norman in *The Guernsey Press*. (Laughter) Now as anyone interested in films like I am knows the quality of sequels compared to original can vary hugely. There can be a number of reasons for this, the sequel may be better because of deeper character development, as audiences are already familiar with the characters and this can lead to more compelling story lines and emotional connections. They can expand on the world or universe set out in the original, they may have bigger budgets leading to better special effects and those behind the original can learn by the mistakes and use that to make the sequel better and they can listen to their audience and make improvements.

900 What makes them worse can be rushed production, lack of 'visionality' and diminishing returns. I am not including the green paper as the original, which I consider to be more of a teaser trailer, which although shorter pieces often made while the film is still in production or being edited and so many features scenes or alternate versions of scenes that are not in the finished film.

910 Now, it is generally acknowledged that *Godfather Part II* was better than the original; it did win six Oscars against the originals three after all. But the question we have today is, have P&R provided us with an offer we cannot refuse (Laughter) or is it more *Jaws the Revenge*, which its star Michael Caine said he had never seen but heard it was terrible, however, he also said I have seen the house it built and it is terrific.

915 So what is it to be? We have three scenes or scenarios, if you will. It is a confusing start with scenario 1 when the States have already accepted and resolved, and I quote:

... the longer-term financial position ... is unsustainable and effective measures must be implemented in a staged approach to mitigate the challenges ...

920 Why, therefore, have we a scenario that says do nothing which P&R have been telling us is not an option? The same can be said about Scenario 2 but on steroids. Spend and borrow without the income streams to pay for it and then Scenario 3 which builds on Scenario 2 but is the most high risk; spend and borrow more in the hope that the income stream in the form of GST comes through. And, we have a plot twist here where we have gone from being told that we need a significant income stream because of our aging population to needing it to fund significant capital expenditure and so it is a bit like the hobbit starting to look for a necklace rather than a ring.

These are not realistic or deliverable options right now and it should have been obvious that was the case. What is clearly needed is a pragmatic, realistic and deliverable approach which is what we have here. A balanced staged approach that builds on what the Assembly approved in February. Remember Members approved Stage 2 proposals but not Stage 1, a fairer alternative. This amendment puts that right as well as setting out a balanced approach to capital expenditure.

Again, we question the modelling which is pessimistic and does not follow States' policies such as net migration. If we are not going to work to those policies why do we have them? It certainly sends out mixed messages. So when it comes to immediate revenue-raising measures there is little difference from 11:00:46 and I am not going to go into detail on that other than to say there is no mention of Social Security contributions. As you are aware of the Up-rating Report coming before this debate I reckoned it would be approved anyway, which it has been.

I shall now reference the pension holiday or rather three years to raise £76 million of capital investment without the need for new taxes against a £50 million deterioration in a fund with no other benefits if we bring in GST. We appear to have had an actuarial valuation that was done in a few days, which is interesting as is P&R's media release coming out full guns blazing against the whole amendment. Well, of course, we are just talking about Proposition 17, which is not integral to our amendment, it does not fail on that one Proposition. As Members will know very well they can vote for the amendment now and then vote down Proposition 17 when it comes to the final vote. That is not something that we can do with Scenario 3 where GST is integral to the P&R package and which, they have admitted publically, will result in a further deterioration of the fund by £50 million. That is if you believe that the inflationary effects of GST will be just 3.5%, which I would say is a moot point.

And I am glad we did include the Proposition. Clearly it had not been thought of as a concept before but also from what we have found out as a result what was issued yesterday about the state of the scheme does raise some very important questions that need answering. Why did P&R bring a policy letter to the States reducing the employer contributions last year or are they saying that the deterioration of the situation only happened since then? Is this an issue? We are told that we have got this huge, great deficit, are the actuaries telling us that we now need to increase employer contributions, have we got an issue here? Should we be putting more funds in? (A Member: Hear, hear.) We have not heard anything from P&R to suggest that that is the case.

The other point is what is the investment policy? Deputy Trott has asked to meet the Investment Board a number of times in the lead up to this debate which has fallen on deaf ears. Well I think this information makes it even more important we have a presentation from them sooner rather than later especially given the fact other DB schemes elsewhere have actually gone into surplus over the last year. Anyhow, as I say this is just one Proposition and the whole amendment should not be defeated because of that

I will now focus on the capital expenditure element to the amendment. Firstly, in terms of the fiscal policy Members may well say 'well you were pushing against Principle 6 on capital spending why support it now?' Well, aside from the fact that there is no scientific basis for either, let alone 3% which appears to be only because it is the OECD average, we are saying okay if we have that as a policy then let us follow it, it does not mean we need to get there immediately by spending over £120 million in the next two years. Aside from the fact that we have not achieved half that in the last 10 years, there is neither the capacity or capability to do so much in such a short time.

Okay, so we may have under invested since, well whenever, we say the last decade but we have not got records for previous to that. I mean the only records we have been given are since the airport was dealt with. 2% or 3% can be followed but thinking that means we need to catch up as quickly as is suggested really is pie in the sky, more haste less speed.

So, we are saying if we need to do it let us do it properly. Let us reset the clock and plan the next eight years to follow the policy. This can mean spending more now but it does not mean taking the last eight years and saying that the consequence of that so called under investment means we need to catch up by spending hundreds of millions of pounds in the next two years. It is about looking forwards not backwards.

975 Just a note that Proposition 13 references Proposition 6 but that should be Proposition 12, which deals with the capital envelope. It is a slight slip on the referencing there but that is the Proposition it is meant to refer to. Now, we need to remember we are a population of 63,000 not 63,000,000. We hear that one contractor can do the Hospital and educational facilities but what about the 300 new houses we are told we need each year. (**A Member:** Hear, hear.) We do need more houses but given we are told it is crisis it appears to be a very small part of the overall package.

980 Sir, I referenced the film world at the start of my speech and I am sure that has led some to think what films they can come up with to either support or disparage this and other amendments. However before doing so Members should understand this is not fiction we are dealing with here, it is reality.

985 When I first saw what we were being asked to vote on I was quite dumbfounded actually to be quite honest. We have been presented with scenarios from P&R that take no account of where we currently are both in terms of time and place. I had hoped P&R would have taken the opportunity over the last months to reach out to Members across the divide and to see whether we could reach a consensus and despite what has been claimed what we have been presented with does not look like that and certainly not when we have seen nine amendments in play and three scenarios that make no sense given where we are now.

990 So, in that context we have this amendment, a practical realistic solution to where we are now following a period of great volatility. It builds on what the States has already agreed in February, raises revenues and calls for expenditure restraint to enable some meaningful, achievable capital spending programme. But above all it sets us in good stead in June 2026, hopefully with the successful Deputy St Pier, Deputy Vermeulen amendment to see where the land lies and enable us to truly determine the tax system that is fair and sustainable and above all what we actually need.

Thank you, sir.

1000 **The Bailiff:** Deputy St Pier, do you formally second that amendment?

Deputy St Pier: I do, sir.

The Bailiff: Deputy Prow.

1005 **Deputy Prow:** *[Inaudible] ...???*11:06:52 and ask you to rule that this amendment goes further than the Propositions ...???

1010 **The Bailiff:** Well it certainly does go further than the Propositions because it proposes the deletion of them and substitution of a different set of Propositions. Do you wish to move a motion pursuant to Rule 24(6) that the amendment be not debated.

Deputy Prow: I do, sir.

1015 **The Bailiff:** Well, that is the motion, Members. Those in favour; those against?

Members voted Contre.

The Bailiff: I will declare that lost. Deputy Mahoney. *(Laughter)*

1020 **Deputy Mahoney:** Thank you, sir

Well that was an interesting opening from Deputy Soulsby. I am sure some people, like me, listening might have been interested a bit more in detail and substance than a string of movie titles and tag lines. I cannot be the only one that noted, quite amazingly, that the main fund raising part of this amendment, £76 million whatever it is in pension holiday which now from the actuarial report says we basically cannot do, do not worry it is just a number, it is just one part of the amendment,

vote it all through and then throw out the actual engine of what would, potentially, have driven the amendment. I find that somewhat staggering.

I will not go in to the 'nobody reached across the divide' because I am pretty sure Deputy Ferbrache is going to touch on that, so I will not bother speaking to that part. I am not going to speak to all of the points but I will speak to some of them. The amendment asks P&R to use the targets set by the States for modelling purposes and indeed the explanatory note states that the assumptions are included in Appendix 1, however, the Appendix only mentions the assumption 300+ population growth and it does not mention other assumptions and this amendment, of course, presents the base case assumptions as core assumptions. So if we want to play the everything is rosy and we will get this and we will get that at the highest end of everything, then naturally the numbers are going to look somewhat better.

The 300 net migration assumption used in the modelling reflects the outcome of the debate on the Population and Immigration Policy which was worded to ensure infrastructure has the capacity to support a larger population. It does not guarantee migration levels would be substantially higher than the observed average in the long term that we have seen over the last number of years. That really was not intended for use for fiscal planning but more as a say for infrastructure and services provisions.

On point 4 to deliver real terms reductions in revenue expenditure. There is no suggestion that I could see, I am happy to be corrected when Deputy Soulsby sums up, which schemes in the portfolio we would prioritise. The reason is the 2024 budgets already include savings of £5.4 million, however, because of the cost and demand pressures that budget proposes the Rule 10 increase of 1%. This amendment asks for real terms reductions after those demand pressures are taken into account so I will ask Deputy Soulsby to cover that off when she speaks up please, which of the schemes in the portfolio would be planned to be de-prioritised. If nothing else it would give those Committees a heads up in this reductions lottery. I am sure HSC will be particularly interested given they can prepare for online petitions should they come their way.

Number 5 talks about implementing pillar 2 from 2025 onwards, and that is in line with the F&I plan although we had assumed £5 million of course in the first year being prudent because of the reporting cycle of those companies potentially, whereas this includes £10 million. Of course it includes £10 million, it is an extra £5 million that makes it look a little bit rosier, doesn't it?

Number 6 with the vehicle taxes from mid 2025 which would include corporate parking, parking fees, road taxes and whatever etc. Again, broadly in line with the F&I plan but it was already in there as lots of these other bits were already in there. So, again, a nice bit of padding. And on top of that there is already an extant States' Resolution from the tax review for E&I and P&R to investigate those revenues and bring it back to the States by March 2024, I think it was.

Deputy St Pier: Sir, a point of correction.

The Bailiff: Point of correction, Deputy St Pier.

Deputy St Pier: Sir, on page 1 of Appendix 1 in relation to OECD pillar 2, there is no reference to £5 million in year one; it says quite clearly raising a minimum of £10 million per annum. So I am not quite sure what Deputy Mahoney is referring to when he made that reference, sir, but that is not what it says in Appendix 1.

The Bailiff: Deputy Mahoney.

Deputy Mahoney: Number 6 the road tax there is already an extant States' Resolution to do that. So already in there but again it pads out this amendment and makes it look a little bit more substantial. In number 7 further measures to raise £10 million from the corporate taxes. The F&I plan already includes £5 million of additional revenue from corporates and the work of that tax sub-committee, which Deputy Helyar alluded to, is now already focusing on the registry fees and levy's

but it is unlikely to be able to raise an extra £10 million from the work undertaken. To date that tax committee has explored the expanding of the 10% band, but there is very little additional scope for this. That is putting people that are not on that band already to that band. Moving the 10% band to a higher number which certainly will not be supported by our other offshore competitors.

(**A Member:** Hear, hear.)

The revising originally entirely of the Zero-10 tax system in wholesale will also not be supported by the other CD's. Then the rolled up profits, we keep hearing about this, we should just tax them there is a gazillion pounds waiting to be taken there. Those numbers have been looked at by Treasury now, I believe they could raise approximately £600,000 a year, hardly everything that we are looking for. I am sure Deputy Helyar, when he sums up, may reference that.

Number 8 the Open Market inscriptions, that is already a policy that is being looked at by E&I. Already on the radar and I am sure someone from E&I will chip in on that later, but a bit more padding. Number 9 progress of the introduction of the Tourism Levy, already being done by ED, again more padding. Number 10 increase the personal tax caps from 150 and 300, already in the budgets, already one, and all yet to be approved of course by the Assembly.

Number 13 talks about directing P&R to reprioritise housing. It is already noted that that should be 12 rather than 6 so I thank Deputy Soulsby for clarifying that. Although I cannot reconcile, perhaps she could just clarify for me when she sums up, I cannot reconcile how both or neither OHM will make it into theirs. That is just a genuine question if she could sum that up for me how we would do that.

And then we get to 14 and 15 to agree that parts of the £50 million of the Guernsey Health Reserve would be ring fenced for OHM, so use the health reserve, part of the health reserve for that which is followed immediately at 15 by agree to maintain the level of general revenue reserves as one of the determinants of Guernsey's credit rating. So, use the money but still retain the money.

On 17 with the employee contribution rates for the DB scheme, well this is a bigger one and I am sure others are going to go into this. We have had the actuarial report now which says that 89%, which I believe is about a hole of about £190 million, so to take another £76 million from that is just not an option, there is no more discussion to be had on that. And, talking of pensions, the Assembly will shortly be asked to decide on the closure or otherwise of the DB scheme for new entrants, let me clarify that, for new entrants with some carve outs and as already noted you cannot take a pensions contributions holiday from a DC scheme. So if the Assembly decide to put the DC scheme in for new entrants you cannot take a pensions holiday from that, you have to keep paying in to that.

Just to summarise, round up, sir, this amendment does not put the States in a sustainable financial situation, (**A Member:** Hear, hear.) it does not mention this specifically and it does not ask P&R to return with a sustainable financial plan. It rather suggests that some of these things can be done in the next political terms.

In fact, I want to go back to 16, I beg your pardon, which talks about £100 million of potential borrowing being £100 million. There is a graph on page 7, I think it is table 4 to the amendment which has some lines and a bar chart on there, but it does not seem to include and again I would like some clarification on it, it does not seem to include from 2025 to 2026 the £100 million borrowing. The borrowing charge is not updated with the £100 million. It still shows £160-odd which I assume is the bond money. So, if someone could clarify, has that just been missed off or why does that graph not show an extra £100 million of borrowing. And likewise for the table above it, which I think is three, perhaps someone could comment on that because the cost of the borrowing is nil. So we will all take some of that but I suspect there might be an error there, but if someone again could just clarify that it would be very useful.

Sir, to finish there is a lot of words in here but there is not a lot of substance. Claims of great bounties to be had, claims of big savings, bit of misdirection, bit of slight of hand, a hush it will pass to the next Assembly of £76 million underfunding of the public sector pension scheme. As I say a lot of words, not a lot of substance, what my dear departed mum would have called 'all mouth and no trousers'. (*Laughter*)

1130

The Bailiff: Deputy Prow.

Deputy Prow: Thank you, sir.

1135

I rise to speak to this amendment but in doing so I acknowledge your ruling that it goes beyond the propositions and note that it further seeks to delete all of them. Sir, I say this because once again, in my view, this Assembly sinks into very dangerous territory. (**A Member:** Hear, hear.) We are now looking at a wide set of new propositions which, sir, I believe are based on flawed assumptions and are principally designed to confront and derail everything contained in the policy letter.

1140

But although this amendment appeared on time according to the Rules it, sir, in my view lacks the rigour of the presentations and advice from Treasury, independent advisors, a proper consultation with industry and the public engagement carried out by Policy & Resources very ably assisted, when appropriate, by Deputy Roffey. And, sir, in my humble view it has completely ridden rough shot over all four responsibilities which to say they are not properly dressed is an understatement.

1145

For the avoidance of any doubt I have much respect for the move of the amendment and I worked closely with her on HSC last term. But on this occasion, sir, her amendment in my view only offers this Bailiwick a managed decline and a Harold Wilson inspired race to the bottom. It achieves little except some of the initiatives already in train by P&R rebranded in, what I believe, is a somewhat politically motivated amendment.

1150

The only highlight is that is not brazenly spun with the self assigned fairer alternative badge on the face (**A Member:** Hear, hear.) but sadly those words still appear in the explanatory note. Sir, it is neither. The importance of progressing a fiscal policy was debated last term but not resolved and again debated this term in 2021 and yet again earlier this year but every time we in this Assembly cannot resolve to underpin the Government Work Plan or the extensive previous P&R Plan. Sir, we have failed the electorate for too long on this. I have said in previous speeches it is nonsensical to put the spending cart before the funding horse.

1155

However, sir, I can tell you some of the areas where I do agree with the proposer. Sir, I refer to her speech on 1st October 2021, two years ago. She said, 'Let's go back to 2009 and the fundamental spending review on the back of Zero-10 where the (*Interjection*) States was facing a structural deficit and considering an increase in taxes to close the gap'. Sound familiar?

1160

Tribal Consulting had been appointed to consider various opportunities to make savings and that ended up with 107 opportunities which they claimed would make £17 million savings over five years. The States loved that idea. No need for new taxes right now, let us put the difficult decisions off until we have done this major exercise.

1165

Sir, she is absolutely right, we do put off those difficult decisions and we will do again if this amendment is successful. Sir, she went on to explain the level of savings were not as planned and were poorly scrutinised to see if they were sustainable but concluded that part of the speech with, 'So in summary the last decade has demonstrated Government is pretty successful at making savings, thank you very much'.

1170

Very interestingly she then went on to talk about tax and the proposals before the Assembly in that debate. She said, 'It has been abundantly clear that people have not read the policy letter. The proposals are not just to bring in GST but a consumption tax and the mitigations'. Mitigations that would actually make the poorest in our society better off as Deputy Roffey covered off earlier.

1175

Sir, the Deputy was arguing in 2021 strongly, powerfully do not put off difficult fiscal policy decisions. Savings, although an important part of any policy, they will not anywhere near touch the sides of the deficit and that a consumption tax, with mitigations, would actually make the poorest in our society better off and that was the best option, and indicated that Deputy Roffey's support had had a major influence on her.

1180

Sir, I entirely agree with these sentiments expressed two years ago. But, sir, the political wind has changed direction all this disappears in the very first line of the amendment, 'Delete everything that

P&R have proposed'. So, it is with dismay that I read this amendment, sir, it throws out any aspirations for reducing tax on everybody's Income Tax bill of up to £30,000. Increasing personal allowances, reducing people's bills, restructuring Social Security to get everybody an allowance and making the system more progressive. Pre-emptive increases up to pension and benefits and a scheme to provide financial support to some low income householders outside of the benefits scheme. Sir, the fact that these mitigations can only be achieved through the introduction of a low rate consumption tax all thrown out in this amendment.

Well, sir, that is at least perhaps one thing but what does it offer in its stead? Well, £40 million of interestingly worded non-GST revenue, raising measures equal up to £40 million. Is this politically designed to make those diverse taxes more popular? When I turn up to up to pay loads of new taxes or pay more in other ways will the cashier smile merrily and tell me do not worry sir it is not GST? I will reply 'oh well that is great, here is an extra tenner'.

And for those in the Assembly whose only motivation is to avoid a consumption tax because they feel it is unpopular this is not an option, the policy letter gives far better ones. I do not believe that Deputies are content not to tackle the difficult decisions around the deficit, ageing population and the lack of investment in infrastructure or really want a tax by 100 cuts.

The revenue raised in this amendment will not touch the sides. Sir, I hope Deputies prove me right. If they do not, in my view, there is no point going on to a Government Work Plan debate. (A Member: Hear, hear.) The Guernsey Government will need a plan for managed decline, not a work plan. No money to invest in vital infrastructure, no developing the Hospital or education or the harbour or our woeful IT. We will become an uncompetitive jurisdiction. I have made the point before and I do not apologise for making it again, in less than nine years Jersey collects £1 billion, £1 billion in a low rate consumption tax and the Isle of Man will collect £1 billion in three years. We will take zero.

This gives them fiscal flexibility we will not have and allows them to invest in striding ahead. They can out compete us in every aspect economically, OECD taxation competitiveness and the development of vital services and infrastructure. The fact, sir, we will spiral into decline. Sir, and please do not get fooled by being beguiled to vote for this amendment even if you do not like some of its Propositions. By way of example the centre piece of the amendment is waving a magic wand and instead of a money tree appearing a so called payment into the States Superannuation Fund makes £76 million available; fantastic.

But, sir, there is no such thing as a free lunch. Note the magic word available, this is not a saving or a revenue raising scheme, it is an irresponsible scramble for cash and, sir, based upon flawed assumption and data well out of date it is like telling somebody who is broke to fix it by not paying a substantial bill for two years. A bill you are clearly contracted to honour and which nine of the people heavily involved in the contract have got wind of this are clearly extremely vexed and have written to remind you of your obligations in advance. (A Member: Hear, hear.)

This is not putting an IOU in the petty cash it is raiding the till. Perhaps Deputies are worried by borrowing we could swerve the £100 million borrowing recommended in the amendment or perhaps vote for it simply because it is less than the amount needed in the GWP capital expenditure which, incidentally, this Assembly has already resolved to do. By the way, sir, we are told recently this amendment effectively waves bye-bye to both the Hospital modernisation and the education infrastructure projects and a whole lot more. Sir, managed decline and a point that Deputy Mahoney has already made, there are other Propositions, and I actually think I counted 14 of them that P&R will rightly argue they are considering anyway. Sir, I urge Deputies, whatever they might do this meeting, please do not vote for this bad politically motivated amendment.

Thank you, sir.

The Bailiff: Deputy Roffey.

Deputy Roffey: Thank you, sir.

Before turning to the specifics of this amendment I would like to preface my remarks by saying that I really hope that this Assembly shows itself at its best over the next few days. I think the last time we debated this, perhaps, we got a bit too terse with each other, in other discussions on other matters recently we have definitely gone beyond the pale and I think this should be a discussion of ideas over the next few days and there should be not aggression or personalities in it. (**Several Members:** Hear, hear!)

Building on that, although I understand why Deputy Prow raised the procedural motion that he did about this going further I voted for this to be discussed because this is a seminal debate, I know we said that a few months ago and this is another one. But this is a seminal debate and if we walk out of here without all ideas and all points of view being given proper respectful consideration then I think we will not have done ourselves any favours.

That said, I cannot possibly vote for this amendment for a number of reasons. I respect the work that has gone into it and an awful lot of ideas have been tossed in but I am not sure that they have a guiding logic binding them together to be honest. I think it is a smorgasbord of ideas trying to add up to somewhere that gets close to the revenue raising measures put forward in the policy letter and even if I agreed with every one of them I think my fundamental objection is they just do not raise anywhere near enough money to tackle the societal problems and, in particular, the demographic problems that are coming in our direction. (**A Member:** Hear, hear.) So even if I support every bit of it I do not think it cuts the mustard, but I cannot support every bit of it and I am going to just single out a few of those.

First of all, Section 1 or Proposition 1. There has been mention of the population figure and Deputy Mahoney said well 300 is there but we are not meant to plan on it, I think we are actually and I think that was the wording of the theme, that this was here for planning purposes to assume, although it was not 300 it was up to 300 I think, I seem to recall. But my concern really here is on the target on return from investments because the resumption in the policy letter is a return on investments over the long term will outreach RPIX plus 2.5% and I think that that is prudent but quite ambitious.

If we are going to adopt and Social Security have handed over their funds to be managed, they are still ours but they have been handed over to be managed by this new body underneath P&R and my understanding is that they have set the fund managers a stretch target of RPIX plus 5%. Now, what they set as a stretch target I do not mind, they can do that, but I am blown when the Government actuary comes to actually review the Guernsey Insurance Fund or the Long Term Care Insurance Fund and asks what assumptions should I put in for a return on investments that we are going to say well RPIX plus 5%, because that would be reckless. There is no way that that is likely to be the long term trend.

Now I am told by Deputy Soulsby and I raised this with her yesterday that the actual figures is RPIX plus 4%, I am not quite sure where that figure even comes from, but even then I think it is crazily ambitious. If it happened it would be absolutely great but it is not the lesson of history and I do not think that just because you set a of investment managers a stretch target to say to plan on the assumption that that is going to be achieved is absolutely dangerous I think and therefore, if this was passed I would have to vote against section 1 when it comes forward.

Section 4 talks about a £4 million real term reduction in revenue expenditure, or to budget for that. The trouble with that is that we know, because of the change in demographics, that the demands from Health & Social Care are going to be for those significant increases in their revenue budget. As I understand from next year they asked for £10 million on top of inflation, they are going to get £4.5 million and they say they are going to struggle with that, they have accepted it, but it is going to be a real hard yards to actually manage to match that.

Those pressures are going to grow, the demographic curve is going like that. So, if you are going to overall reduce in real terms the revenue budget with this Assembly by £4 million the other Committees of this Assembly are going to have to be looking at a £15 million-£20 million education, I think, in real terms going forward. Well of course it can be done, we can make Government so small that we cut out lots of things that we provide at the moment that the people of the Island

1285 care about and say you cannot have it anymore and there you are, that is the other side of the coin to increasing taxation. We could do that but I actually cannot support that so I would have to vote against 4.

I am also personally opposed to part 9, which is the bit about raising a tourism levy to raise at least £2 million. I have an issue with tourism levies, maybe it is just me, I mean one of my colleagues in the Assembly said to me yesterday what is wrong with them, look at what they are doing in Venice and my answer was yes, and one of the main reasons they are doing it in Venice is they would actually like fewer tourists than they are getting at the moment because of the pressure on that town. I actually do not think we are in that luxury of having rather too many tourists and we would like to have far fewer and I do worry that this, on the surface discriminatory tax aimed just at tourists, would be exploited by others.

I mean, why would Jersey not say come to the Channel Island that does not levy a tourist tax? It does not mean I think tourists should not contribute, of course they should but actually if you are paying a sales tax you feel you are being treated exactly the same way as the locals, there is nothing discriminatory about it, if you are picked out as a tourist to be taxed I think that that is a disincentive. So, others may feel differently but I would not be able to support part 9 when it came through. (Interjection)

Part 12, this business of 1.5% GDP in any Assembly every four year horizon being spent on capital investment but 2% over eight years, that is fine but if I think I understood Deputy Soulsby right she was saying we are starting here and going forwards. Well, we know we have an enormous backlog because we have not spent enough over the last 10 years. So, whether or not 1.5% / 2% is enough generally fine, but if you are saying now we are going to start from here and that is all we are going to spend going forward and not doing any catch up, we are going to build in, hard bake in a deficiency in our investment in our critical infrastructure and therefore I do not think that that is ambitious enough in relation to capital spending.

I also have a problem with 14. I know and I have the same problem with Scenario 2 under P&R's amendment. I do not want us to just spend the health reserve, in fact, a very well respected senior civil servant who retired a few years ago said at the time that the health reserve was transferred across from ESS to sit there for the use of HSC. The problem with that is it will not take many years before they find something huge to spend it on and it will be gone and then there are going to find themselves in a difficult position and I think that both this amendment and Scenario 2 would unfortunately prove him just right and that would be fine if we do not expect lots of unexpected demands to come along to HSC in future. We know at the moment they are using this source, it is not sustainable in the long term, but they are using this source to cover up the NICE TA expenditure and I am sure given what is happening in the whole Health Service and the extra costs there is going to be more and more demands on that fund and once it has gone it has gone.

Well, that is fine but then we are going to have to meet those demands out of General Revenue and it brings us back to the need to raise taxes far more than this amendment actually does. Then we come to 17 and there has been a lot of discussion in the media and we have had emails about it from various bodies especially about taking a contribution holiday and Deputy Soulsby said well if it is suddenly so low, 89%, is that a problem for us, are we going to have to increase our contributions? My answer is if the tri-annual valuation shows that it still below 90% then absolutely, yes. In fact, my understanding is the deal that was done with the other stakeholders was that if it ever fell below 90% then it would increase the *quid pro quo* was a think when it went about 115%, or something like that, we would be able to reduce even further.

But we have a responsibility as an employer, or as a former employer in the case of retired people, to treat people properly like any employer would under their pension scheme, but I do not see that as an argument to saying well we may have to put up contributions as strengthening for this amendment because actually if we do end up having to put up contributions then that is going to increase the demands on general revenue and is only a stronger case for raising revenues more.

So, I think my conclusion is I think this amendment is drawn up in good faith from a set of people who are starting from the premise that we must avoid a consumptions tax on all basis and they

have given it a good go but I do not think it works. I do not think it works in its constituent parts and even if every one of those constituent parts did work it would not raise nearly enough money to face the challenges that Guernsey is facing. So, I am afraid, I cannot support his amendment.

The Bailiff: Deputy Inder.

Deputy Inder: Sir, I am only going to speak to the various parts of the Resolutions in this amendment that affect Economic Development but I probably will give a broader view on the signalling and the messaging of an amendment like this. Now, particularly Resolution 7 directs P&R to implement by 2026 further measures to increase revenue by £10 million. So that is a two year, two-and-a-half-year line out of where the business community does not know what that actually means.

Now we must remember that what is said in this Chamber resonates. I do wonder sometimes, sir, Members, if there is almost a cognitive dissonance, we seem like we are just chatting to ourselves but we are not. The people out there are hearing us, the media is watching us and business is making decisions on some of the things that we say and the message in this Assembly.

Now, we are the Government of Guernsey, what we say in debate, the amendments we table, the requêtes we submit, all of these are from Government. We know then that our business and investors see what we write, hear what we say, consider how we conduct ourselves, so do our competitors. Never ignore that fact, this is not just about this Assembly, it is not what is said locally, it is what we do as a jurisdiction for our single largest industry.

What we must not do is sacrifice our competitiveness, and I made that reference to a point Deputy Gollop made in amendment earlier, nor our stability in pursuit of cheap, but in this case, expensive political points and I am not going to particularly hold back on this. This has got fairer alternative written all over it, we have done most of the work from January and February and this looks like a second bite at the cherry and I am genuinely surprised, and I think Members need to understand and so do the wider public, that under our rules there are two signatories to an amendment but Deputy Kazantseva-Miller, a Member of my Committee, is part of this amendment as well and I think it has been made reference by Deputy Soulsby, and thanked for her work on the matter. So, what surprises me at least two of these Resolutions that Member is already aware that we have been working on.

Now the danger of this Deputy Soulsby/Deputy St Pier amendment is, I genuinely believe, is a cavalier attitude demonstrates to our economy, our investors and the ammunition it gives to those investors and competitors. Sir, on the face of this amendment it is in effect a new tax system listed like a set of bullet points, minimal supporting evidence, out of date sources sitting behind part of it and zero consultation with the rest of Government, the rest of the community and any part of the economy and we are told time and time again we are working together but there has not been any working together. Two of these Resolutions are delivered by my Committee, one of the team Amendment 4 which Deputy Kazantseva-Millar, she never mentioned this to us, this never came up in debate and it makes it look like it is new information. It is not new information, we are under direction and we are already delivering on two of these Resolutions.

Now this sort of thing is the sort of thing you put on a white board then in a couple of days put it in the bin. (*Interjection*) That is what should have been done with this in fact I do not think it even should have come to the States. But no, this is put before the Assembly but not particularly in the right way. Instead this amendment seeks to tear up parts of one tax system and set up another, and we will have more discussions about that in future amendments.

It was submitted to the Greffier in the last possible minute. So, not just a cavalier attitude to the economy but also a cavalier attitude to the parliament. (**A Member:** Hear, hear.) Entirely cavalier and do not think for a minute this Island was built on its, effectively, conservative and its stability. This Island we know is in a stable place to do business. It was seen not to be too radical, not too exciting to be perfectly frank with you but we know it had a constant but this opposition politics, which is entirely playing out through three of the partnership of independence who cannot take no

for an answer, who are now bringing back the fairer alternative for a second bite at the cherry is what breaks islands. This is the same nonsense we see being played on in the UK and I think this is dangerous again, again and again. This party system extant or dissolved has done massive amounts of damage to this Island. (*Interjection*)

Right, direction to undertake work that is already ongoing, has already been agreed by this Assembly, such as the open market inscriptions. So, what is the new information? Directions to implement vehicle taxes, parking taxes, tourism levies, registration fees they are all in play. So why is it here again, it is the same thing being repeated again. This has been made mention by Deputy Mahoney and I think, in parts, by Deputy Helyar.

And we have got to be careful of the Rule 4 and the false comfort it gives. This amendment says that there has been active consultation with the Treasury team but it appears and I would like to hear from Deputy Soulsby if there is any truth in the fact that the Treasury team might have been the Treasury Officers but they were told that they were not allowed to say Policy & Resources. Now that it has been mentioned over email and I will ask again when Deputy Soulsby stands up is it the case that when those meetings were had with the Treasury team officers they were specifically told, specifically told not to talk to Policy & Resources? So please do not tell me we are all working together, if that is true, because clearly this is again oppositional politics, time and time again.

Now presumably this means that they asked for some information and have been given it. This does not make it a good idea, it does not mean the Treasury team thinks it is a good idea and we have no idea if the economy, the public, the people who have to cough up to fund this completely different approach to funding public services are particularly behind it and we have no idea if any of them think this is a good idea, with the exception, I think Deputy Ferbrache has said or possibly I think it was Deputy Helyar, has detected that some types of taxes are better than other taxes and there seems to be a little bit more of a movement towards the main scenario which includes progressive taxes, includes a portion of GST and I think he might have mentioned that there is some acceptance, which I think this has been going for a few years, that motor tax or a form of it does need to come back.

Members should remember that in the appendix is the following wording that Treasury team had asked to be included, they asked to be included. The modelling has been based on assumptions which have not all been verified and in a timeframe which has not allowed the degree of consideration and scrutiny that would normally be given to modelling of this type. There has been limited time for identification, consideration at modelling of the possible implications of the revised assumptions, therefore, any model outcomes should be treated as indicative only.

Now, I am sorry but I believe that is polite Civil Service language for beware this the back of a fag packet and policy making on the hoof. That is what it reads to me. I am afraid it does. Now what we have is a set of increases in doing business that may or may not be expensive to collect and may or may not change business behaviour and investment decisions.

One of the foundations of our competitiveness is stability, it is a fact. This Island was built on its stability. This amendment drives cart and horse through that stability. This is not the fair alternative this is the scarier alternative. So that was in reference to Resolution 7 and the messaging of laying in wait and extra £10 million for the corporate sector to come back in 2026. So two years of waiting to see what we are going to do to the corporate sector.

Now, I have got to make mention of the registry fees and charges and I need to address the specific suggestion in this amendment that the Guernsey Registry fees and charges should be increased. Now the Committee is currently undertaking a review of those fees and funding model and we have done that because of direction. I will talk later to the visitor levy itself, I will not go to the repeating of my views, but I have told Members before when I have been asked to do something either by direction or from our senior Committee I get on and do it. We worked under direction to look at the visitor levy.

Deputy Vermeulen: Point of correction.

The Bailiff: Point of correction, Deputy Vermeulen.

1445 **Deputy Vermeulen:** Sir, I am pretty sure that Economic Development handed over the extension of the runway at our last meeting to States' Trading. So if that is getting on and doing it I am a Dutchman. *(Laughter)*

The Bailiff: Deputy Inder.

1450 **Deputy Inder:** No, but what was the end result in that, something like 35/4 but I do not take on that point because I think it unfairly facetious and not serious. The point I am trying to make, we are parliamentarians and by resolution we are asked to do something that I did not agree with but very quickly we have gone through the visitor Levy process, we were asked to go out to consultation, we put some 15/16 letters out, there has been a consultation that has come back and Policy & Resources will have received, I hope, either today or yesterday the consequence of that. So why is
1455 it here again? We have already done the work, it is entirely pointless, and it achieves nothing. We have already done the work.

Deputy Kazantseva-Millar: Point of correction.

1460 **The Bailiff:** Point of correction, Deputy Kazantseva-Millar.

Deputy Kazantseva-Millar: Sir, the Resolution from the second tax debate in February in relation to the levy was for the Committee to investigate, it did not say to progress the introduction. This specific Resolution says progress the introduction. So, they are very different types of direction
1465 to the States.
Thank you.

The Bailiff: Deputy Inder.

1470 **Deputy Inder:** Okay, I will accept that. But, the point still remains it looks like it is new information and it is not. It is not a new idea. Now the Committee is currently undertaking a view of the Registry's fees and the funding model and ask directed by Deputy Mahoney in his role at as the Savings Committee or whatever working group. So, again, this is not new information, we are already working on it.

1475 Now currently a larger IT transformation project is being undertaken at the Registry, it is progressing well and it is anticipated it will provide opportunities for new revenue generating and product streams, for example in the area of improved access to public data by application, programming interfaces, what is known as API's.

1480 Now we are looking to review the general administrative charges levied for some Registry services and we are keen to ensure that any increase in the fees results in the Guernsey Registry remains competitive compared to other competitor jurisdictions. So the £10 million corporate services grab in there somewhere supposedly to be funded by 2026, some of it we have already been doing because we have been asked to. Again, this is not new information. There is nothing new in this, we are already under direction, we were actually hoping to get something back from
1485 the Registrar this month, I do not think it has happened but certainly by November we will have some kind of direction of where she thinks extra revenue can be made.

Now the bulk of the Guernsey Registry's income is generated by annual validation fees with the fees for companies ranging between £250 to £1,000 per annum. These fees tend to be the headline figures that people look at when considering Registry's and the Guernsey Registry's fees are on the high side when compared to other jurisdictions. For example, companies licensed, authorised or
1490 registered by the GFSC currently pay an annual validation fee (AV) £1,000 in Guernsey compared to

an equivalent of £270 in Jersey. So, immediately we are looking very uncompetitive and £380 in the Isle of Man.

1495 So that is the difference, so £270 in Jersey, and what we say in this Chamber matters, £1,000 in Guernsey, £380 in the Isle of Man. The current fee for the non regulated companies in Guernsey is £250 compared to £220 in Jersey and £95 in the Isle of Man. So we are already on the fairly high side. There is not a lot of money to be had. Detailed analysis currently being undertaken to compare the Guernsey Registry's fees with other jurisdictions to ensure the fees remain competitive and the Committee will be keen to ensure that any proposed fee increases do not make Guernsey
1500 uncompetitive as a jurisdiction. We simply cannot do that. Well I do not think we can, this Assembly may think differently but I have got a responsibility as the President of Economic Development, my message is quite clear to the business community, we need you, we respect you, we want you to stay here and we do not want to chase you out with unreasonable fees.

1505 Officers are currently working to assess these future models along with the potential for a Government levy. Now detailed proposals are expected by early 2024 with a view to consulting the stakeholders thereafter. But to manage Members' expectations it is my view, just my view, that we are unlikely to be able to raise more than £1 million to £2 million from raising the Guernsey Registry's fees and charges if we wish to remain competitive and even raising that level of revenue may be a challenge.

1510 So there is your £1 million to £2 million, let us pretend it is £2 million, where is the other £8 million coming from? Nothing, absolutely silent on the matter but that will be left to 2026 for P&R to come back, so a year and a half possibly two years of what is this Government going to do to its industry to extract more cash out of it. Really good message to send.

1515 Therefore, in summary, whilst it is possible to raise Guernsey Registry's fees and introduce a levy and the Committee is already actively considering these matters this must be looked at very carefully, it is not that easy to start gunning for people elsewhere. They have material impacts, we said this time and time again, material impacts not everyone is a target.

1520 It would be foolish to raise the headline AV fees if the result of that was an overall drop in company registrations and a shifting of business to other jurisdictions as this would have much wider reaching implications for all parts of the economy that deal with the establishment and operation of local companies. Now I started this, Members, and I am going to end it with a couple of paragraphs I just started.

1525 We know, and this is a repeat of where I started, we know then that our businesses and investors see what we write, hear what we say and consider how we conduct ourselves, so do our competitors. What we must not do is sacrifice our competitiveness nor our stability in the pursuit of cheap, but in this case, expensive political points. Do not vote for this amendment, Members, but far be it for me to order anyone to do anything but I would ask Members not to vote for this amendment. This is again is, I will give way to Deputy Trott.

1530 **Deputy Trott:** I am grateful to my friend for giving way because he is quite clearly, sir, doing his job as President of the Economic Development Committee in putting forward those arguments but he has said two things which I would ask him to reflect on. The first is he described this amendment as cavalier, well cavalier suggests it is indifferent to the feelings of others. This Assembly has set a limit on when amendments need to be tabled and it is within the Rules, so it is certainly not
1535 indifferent to the feelings of others because it is within our Rules.

1540 But I would not have risen just to make that point to him to ask him to reflect but on something else he said. He asked a question which goes to the core, in my view, of the independence, impartiality and confidentiality of the Civil Service and I would just ask him to reflect whether he really wants an answer to that question because whatever the answer it will go to the core of those three important principles. So, I believe the Statesman like thing to do would be to withdraw that question and not insist upon an answer because I think no good will come of it.

Deputy Inder: It almost sounds like I am trying to help Deputy Trott which I think he is actually trying to help me but on the matter of the general point, I think what he said is it is not cavalier in as much as anyone can lay any amendment but I will give way to Deputy Ferbrache.

Deputy Ferbrache: Thank you, I am grateful to Deputy Inder for giving way. It is really to counter the point, or to question the point, made by Deputy Trott. My understanding is that Deputy Inder is asking Deputy Soulsby to say, not the civil servants, so he is not asking the civil servants to say did Deputy Soulsby say this to you, and he is asking Deputy Soulsby. Now Deputy Trott and I often agree on very many things but here I think we are going to have to, respectfully to him, disagree because this is not an attack or a seeking to breach the principles that Deputy Trott was referring to in his interjection just now, it is asking Deputy Soulsby whether she asked.

Now she is not obliged to answer that and I think silence will tell us the answer to that but it is a question to her, it is not a question e.g. to the States' Treasurer or the Head of Treasury and I agree if that was the point Deputy Trott was making I would agree with him. So it is up to Deputy Inder what he wants to ask or whether he wants to withdraw that but he is asking Deputy Soulsby what she, or Deputy St Pier or whoever, asked the civil servants to say.

Deputy Inder: I simply asked, I believe I simply asked, but I have sometimes got a danger of not remembering what I said a few minutes ago, (*Laughter*) but I think what I was trying to confirm is that when we play this game of all of us trying to work together which I think Deputy Soulsby actually mentioned I believe the truth might be somewhat different, I believe there was an accusation over email that when members of her amendment group went to see the Treasury Department she specifically told them not to tell Policy & Resources. If that is not the case Deputy Soulsby has got to simply say that is not the case. So, I do not think that is an unreasonable thing to ask. If it did not happen, it did not happen I completely take that.

But, sir, that is where I am at the moment I would just be very careful of our messaging and never forget that this job, or certainly this Island's major industry, is not always about what it does in the Island it is how it is perceived off Island. Be very, very careful what you wish for and vote for. Thank you.

The Bailiff: Deputy Meerveld.

Deputy Meerveld: Thank you, sir.

I was not planning on speaking in this debate but I driven to my feet by the irony in what Deputy Inder was saying. He criticised Deputy Soulsby for bringing back an amendment that looks very similar to a previous one that was rejected by this Assembly. And, yet this entire debate is a proposal being bought back to the States which the States has already rejected. 4,500 people marched against GST, 25 Deputies voted against GST in February just a few months ago, but apparently P&R are a little hard of hearing.

It is also interesting, and I look forward to P&R addressing it later, that we are being asked to consider this proposal now without the group that Deputy Inder mentioned reporting back. One of the few things that came out of the January and February debate on GST was an instruction from this Assembly via approved amendments to form two working groups; one to look at cost savings on which I sit and one to report on potential tax alternatives. Neither of those working groups have reported back to the States yet, so, so much for information and informed decision making. The groups that would have reported back were instructed, P&R were instructed the form to report back and give us alternatives, have not done so. So I will be interested to see how P&R justifies the fact that we are having this debate now when it has already been rejected and the information to be provided by other groups has not yet been presented to the States.

Thank you, sir.

The Bailiff: Deputy Queripel.

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Deputy Queripel: Thank you, sir.

Like Deputy Roffey I sincerely hope this debate is civilised, respectful and does not turn into an uncivilised and disrespectful debate as the debate in September became when Members decided to shoot the messenger rather than listen to the message because they do not like the messenger. Those kinds of debates are extremely detrimental to the community and bring the States into massive disrepute in my view.

Sir, I am going to speak in general debate at the same time as on this amendment because I will have lost the will to live by the time we get the general debate. One of the most profound comments I have heard on this whole GST issue came in an email from Korinne Le Page from the Guernsey Retail Group recently when she said, 'We need to grow our economy (**A Member:** Hear, hear.) not decimate it'. That says it all for me which is why I will be voting in favour of this amendment. But in case that is not enough for colleagues who are undecided well in the words of Jimmy Cricket, 'There is more'.

I need to declare an interest, I would like to declare an interest, as a major player of the concern for the last 10 years in having done that I want to remind colleagues of what we were told in an email recently from the Treasurer of a local charity who told us that every charity here in the Island will suffer if GST is introduced. So I ask colleagues to bear that in mind when they come to vote on this amendment.

Regarding the retail group saying 20% of local businesses will fold if GST is introduced, that is a major point surely we all need to consider. Do we really want that to happen? I know I do not and surely we should listen to the people who are in the industry. One local business owner told us her turnover is more than £300,000 but the business operates on a really low profit margin and she is concerned about the future of the business if GST is introduced. In fact, she said in her email 'please anything but GST'.

But other reasons why I cannot support GST are as follows; it will become a bureaucratic nightmare. Several people actually highlighted that at the Coasthills presentation where the Chief Minister answered questions for well over an hour. And why will it become a bureaucratic nightmare? Well as all of those people said the Income Tax office are in a real mess because of staffing problems and consequently they are three years behind with their work. So adding a completely new tax is only going to make things worse. And where are all the staff going to come from to carry out all the work involved in GST administration, and as we know once GST is introduced it can be increased again and again in an attempt to raise sufficient funds.

As I have said in previous debates we will be taking money from the public with hand via GST and giving it back to them with the other hand via Income Support. The current cost of Income Support, I think I am right in saying, is around £50 million a year and I predicted in the past and I will do it again that sum will increase considerably a lot more than the £10 million, I think it was, P&R estimated. I think it will increase by another £20 million on top of that because where else will people be able to go for financial help, financial assistance, they will have to go to ESS.

Lastly the vast majority of Islanders have said they do not want GST and I really think we should listen to what the people say. I was extremely shocked and disappointed to see that Deputy Meerveld was sacked as the head of the Wind Farm Innovation Group (**Two Members:** Hear, hear.) the reality is the person with the most knowledge about the whole issue in this Assembly has been removed from his post, why? I hope somebody is going to answer that from P&R during this debate. Why was the person with the most knowledge about the issue removed from his post? It does not make sense, perhaps it is because he knows too much. (**A Member:** I think that makes sense.) Do we not need people with knowledge of such potentially money making issues, leading on these issues, driving them, championing them?

Deputy Meerveld has told us on more than one occasion that we do not need to introduce GST because there are other ways in which we can make that sort of money and more and we have not got to wait until a wind farm is in place, we will be making money out of the venture long before that happens, as I am sure he will elaborate on when he speaks later.

As regards to Proposition 17, I have lost count of the times we have been told during debates that the sky will fall in and the world as we know it will come to an end if we go down this path. Several times we have gone down paths we have been told we should not go down because the sky will fall in and the world will come to an end if we do and the sky has not fallen in, the world has not come to an end. So surely that blows that argument out of the water.

Sir, moving towards a close I am reminded of a song that was a worldwide hit for Nilsson back in 1969, the title of the song was Everybody is Talking because everybody is talking and there are those who are saying don't do it and there are those who are saying do it. As the lyrical from the song say:

Everybody's talkin' at me
I don't hear a word they're sayin'
Only the echoes of my mind

Well I have heard every word everyone has said and like my colleagues in the Assembly I am now being asked to make a judgement call. Whichever way I decide it will upset some and please others. That is the way it goes and what I have decided to do is support this amendment and the fairer alternative.

Thank you, sir.

The Bailiff: Deputy Moakes.

Deputy Moakes: Thank you, sir.

I just want to, before I launch, qualify a couple of points that people have made and that is it is not a binary decision between this amendment and GST the policy letter has a whole series of different options in it. You can vote this down and vote for the policy letter and not have GST, let us just make that very clear. To say it is this or the policy letter is not true at all.

Anyway, in terms of this particular amendment let me begin, I think that it is a highly questionable amendment. It begins basically by deleting every single one of the Propositions within the policy letter, makes a few observations that I think are obvious to most people already and then goes into more detail. So under expenditure, restraint and revenue raising what does it say? Well it seeks to direct P&R to do pretty much everything that was already in the policy paper, it is not a fairer alternative it is a copy and paste of most of the existing proposals already contained within the policy letter. Nothing new, or very little new, I will come onto that in a minute.

Under capital expenditure and reserves it first seeks to reaffirm that medium term capital expenditure should be no less than 1.5% of GDP per annum averaged over a four year period and 2% per annum averaged over any eight year period. Well I think we have just had an independent review suggesting that we should spend 3% of GDP per annum, so I think it should be a minimum of 2% every year, possibly more. We have had years and years of under investment in this Island's infrastructure this has got to be reversed.

Next it goes on to housing and I am not going to bore you about that right now because every single meeting we have I tell you how important it is that we get more housing on the Island so we retain our local population and encourage people to come to the Island to fill all of the open jobs we have got. (*Interjection*) So all I am going to say is there is nothing new here either.

Next it goes on to suggest that we use the general health reserve which, incidentally is currently being used to fund NICE TAs to fund the Hospital Modernisation Programme. Again, is it prudent to use reserves to pay for things when you already have other options available and what happens when that reserve runs out?

Ironically the very next point then says that we should maintain the level of the General Revenue Reserve because it is one of the detriments of our credit rating. So okay to use a bit of reserve there but not that Reserve. Next it recommends that we seek at additional £100 million of borrowing, presumably in a vain attempt to avoid the need to find ways to improve the revenues right now.

1695 This is very, very short-termist and given the underlying issues that are there it will still be there and need to be addressed and soon, it just delays it slightly.

And, the final point of course asks us to agree to suspend employer contributions and defined benefit parts of the States of the Guernsey Superannuation Fund for three years. As I am sure you have already read this has been described as many things including reckless. This comment should not be supported under any circumstances whatsoever and that will blow a £76 million hole in this amendment rendering the entire thing utterly pointless. And, just remember that point that I have just mentioned it was about the only original thing in the amendment and it is completely flawed, reckless even.

1700 Sir, this amendment is not a fairer alternative, it is not very sophisticated or well thought out. It rips two and a half, maybe even three years, of work up and then copies and pastes in many of the proposals that it has just got rid of. It then goes on to propose a number of ideas that range from unambitious to reckless.

Deputy Kazantseva-Miller: Point of correction.

1710 **The Bailiff:** Point of correction, Deputy Kazantseva-Miller.

Deputy Kazantseva-Miller: A large proportion of the Funding & Investment Plan is a copy paste of the fairer alternative Tax Debate 2 proposals, Stage 2 Proposals, that were submitted and that are re-circulating now in many of the proposals. So I think Deputy Moakes is very incorrect to say that this is some kind of copy and paste.

1715 Thank you.

The Bailiff: With the greatest of respect that is not a valid point of correction because he is simply saying what he is saying and you can say in due course, Deputy Kazantseva-Miller, what you want to say in relation to re-circulating ideas. But what Deputy Moakes was saying, as far as I heard it, was not inaccurate or misleading.

Deputy Moakes: Thank you, sir, I appreciate that very much indeed.

1725 So as I say it certainly does not address the issues that we face. In fact, I think it is probably a master class in kicking the can down the road and I say a master class in the meaning that it does a couple of things that are already there but actually the problem does not go away and we will have to address that problem sooner rather than later. So it does not address the issues we face and I strongly urge you to vote against it. Remember what I said at the very beginning, it is not binary, it is not this or GST. You cannot vote for this and vote for one of the many other options that does not include GST.

1730 Thank you very much.

The Bailiff: Deputy de Lisle.

1735 **Deputy de Lisle:** Sir, I am concerned with the amount of borrowing within this particular amendment and I seek clarification on borrowing here. Sir, I understand £100 million of borrowing may be required to help finance capital expenditure, that is in 16, from the £200 million to £100 million, that is a reduction. But, is that borrowing will be required or may be required? I am not sure on that particular issue and I just wonder why the interest payments were not also indicated in the table, that is table three the 10 year projections. There is no interest indicated there with regard to that £100 million.

1740 Secondly, £160 million is out of the bond borrowed money is to be included, I take it, but I would like to ask would there be a dedicated income stream from that particular source? I am a little concerned that, in fact, there is some indication that repayment of the capital element of this bond loan was not planned for the initial five year period for example in the F&I plan and it was assumed

that only interest was to be paid during this term. So, I would like to have some clarification there and I take it also that the amendment would have access to the £100 million revolving credit facility as well. So I am not one, sir, for borrowing and it seems to me that this particular amendment calls for quite a significant amount of borrowing and I would like some clarification on the exact amounts.

1750 Thank you, sir.

The Bailiff: Deputy Gollop.

Deputy Gollop: Thank you, Mr Bailiff, sir.

1755 Not easy to support this amendment because it has come from people who know a lot about politics and Government. Indeed their understanding of all the pots of money is exemplary but like Deputy de Lisle I am concerned about unfunded borrowing and like Deputy Mahoney and others one can call various flaws with some of the Propositions, from 17 on the Superannuation Fund to the Hospital modernisation.

1760 I worked closely in the last States, and still do in other areas, with the then Deputy Michelle Le Clerc who was involved in Social Security and like, possibly, other people they did not envisage when we transferred the money to Policy & Resources and Health that the money would be used for capital replenishment at the Hospital rather than say long term investment for NICE drugs or revenue changes.

1765 I am a bit concerned too, to say the least, about the wisdom really of having a tax holiday or rather an employer contribution holiday for the Superannuation Fund of three years because effectively that is kicking a can down the road for something that needs to be properly funded. However unwise we may have been to have created the scheme in the first place we cannot walk away from it now. I would also point out to some of our critics that I was a potential beneficiary of the States' Pension Scheme but never received a penny because Deputies used to pay into it but that was stopped in 2012 so most Deputies would not be directly involved with the pension scheme now.

1775 I think Deputy Soulsby, Deputy St Pier and other people associated with this are genuinely popular with the public in many areas and that has been a strength of their arguments and we have certainly received many letters to the effect of support in vague terms of fairer alternative. I want a fairer alternative to the current taxation system to say the least to the one we have inherited for the last decade and I can see individual parts of this that are being done, as Deputy Inder says or could be done, or as Deputy Moakes said are complimentary to other endeavours.

1780 But I am in rather an odd position here because a lot of people possibly see me as reflecting the last person I have spoken to or wanting to be popular. I would put myself, generally speaking, on the progressive bigger Government side of the States rather than the conservative austerity department. So I was not necessarily that happy with the composition of this Policy & Resources Committee as it has mutated with Deputy Ferbrache, Deputy Murray, Deputy Mahoney, Deputy Helyar who made a very able speech and Deputy Le Tocq.

1785 But their proposals, although they are flawed in some ways and I think could be further improved and I also agree with the view that maybe they come to us prematurely before we did hear the bright ideas from the saving money and alternative taxing. The truth of the matter is that they are putting together a package which, in their view, is not only sustainable for us but does three things; it puts a lot of money, possibly borrowed but funded, on the infrastructure which we have neglected, 1790 it is a sustainable answer to our demographic and other challenges and maintains public expenditure, more or less, at current levels possibly an increase in some areas and it tries to be fairer to the less well off by mitigation.

1795 Now the fairer alternative, although billed as the fairer alternative, is not necessarily fairer and is not an alternative because it postpones many of those decisions and it is also built upon various projections that are unproven and where I say I am in an odd position is I am saying in many respects I come to not dissimilar conclusions, especially regarding a GST without food or an improved GST with the current Policy & Resources Committee, but I am in the situation that realises that there is

a lot of emphasis here we can spend 1.5% on capital infrastructure for a few years, maybe 2% on average but we have had a report that says maybe 3% is more realistic and given our costs of building on the Island that is probably the case.

So I come back to where I stand. If I was a true Conservative I would be wanting to reduce taxes on income and business and maybe put them onto consumption which is what many Conservative governments have done since 1970. If I was arguing more for the Labour point of view I would be definitely wanting to see greater expenditure where it is needed on both infrastructure and less fortunate and I do not see this amendment really answers that because when you come on to the explanatory note it conveys expenditure restraint and revenue raising.

Well revenue raising through specific taxes such as motoring, such as here and there will be controversial and will not necessarily be fairer and expenditure restraint is something you had for many years and has led to the maintenance issues, the lack of building, the lack of infrastructure development, perhaps the faulty systems and so on because to me the message that I find many Members and many members of the public do not understand is we have to maintain our competitive position in our key industries but we also need, regrettably, the biggest tax hike that, the biggest tax scribe in our history and the argument for me, although there are efficiencies that can be made, the argument for me is how do you do it? Do you do it with GST, do you do it through raising Income Tax, and do you do it in other ways from Property Income Tax.

And, that is the question. The question that we can kick the can down the road and not plan for a fairer system of taxation where the people who spend the most or earn the most bear the heaviest burden. That is what we should be focused on rather than effectively a do nothing philosophy. So we with a certain amount of regret although I certainly could vote for some of the individual propositions I do not feel I can support Amendment 4.

The Bailiff: Deputy Murray.

Deputy Murray: Thank you, sir.

It is very obvious that there are different points of view in this Assembly on a range of issues and the public quite rightly, continue to castigate us for not working collaboratively. Inconsequently I am afraid I do have to take exception to the inference by Deputy Soulsby that P&R have not consulted. Personally over the last 12 weeks or so, which is clearly even before publication of this policy letter, I have with Treasury Officers whom I would like to publically thank for the considerable efforts and when possible other P&R Members met with, presented and listened to States Committees, made presentations to Members on two separate occasions who could not attend Committee meetings, met with representatives of industry, met with the third sector, met with union representatives, met with the Parish Working Group, met with representatives of the Chamber of Commerce, met with Douzaines and last week P&R presented to the Institute of Directors, which the Chairman said was one of the highest attendances ever.

We have made every possible effort to consult, present or listen to and explain extensively. By contrast what have the proposers of this amendment done? Well, I know they did not consult with P&R but we are used to that but what they failed to do, which in my opinion is entirely unforgiveable was not to even talk to representatives of the 5,000 pensioners they were seeking to defund of £76 million or the 5,000 will be pensioners who would also have been effected under the auspicious of a holiday.

Sir, that in my opinion cannot even remotely be considered fair and it is a very worrying non solution to dealing with the fundamental problem we have which is a lack of sufficient revenue surplus. Consequently given that much of what the rest of the amendment proposed is already in place it will simply not address that considerable shortfall and I ask Members to reject it.

Thank you, sir.

The Bailiff: Deputy Kazantseva-Miller.

Deputy Kazantseva-Miller: Thank you, sir.

In February the largest majority of the Propositions approved by this Assembly were propositions from the fairer alternative. This also included the very first Proposition where, I think, all Deputies agreed that we needed a staged approach to solve the issues that were facing our community and the staged approach would need to look at budgetary constraints and savings, developing an economic vision and economic development policies, it has to look at alternative funding models, has to look at major reviews such as delivery of potentially new health care models.

Those components remain absolutely critical to the future success of our community and we, as Government, must act and demonstrate to the community that we can act across all of those pillars. If it was not for the fairer alternative proposals we would have continued on a runaway budgetary process that we had for the last two years. It is only thanks to the fairer alternative that we have actually embarked on an attempt of budget restraint.

If it was not for the fairer alternative we would not have anything in relation to actually trying to look at savings which are fundamental, savings and efficiencies, fundamental to the delivery of our services and something that the community has been consistently asking for, nothing would have had happened.

We have asked for a review of the way capital and financing is delivered. We actually have not seen anything that has come forward on that and I think that is a hugely missed opportunity and we have seen, through Committee work, we have seen proposals that STSB is developing with relation to the Pool Marina which, for the first time that I have seen having been here for three years and thanks to the work of the real industry professionals with infrastructure funding experience have been developing. These are the type of blended finance proposals we should absolutely be seeing more off and we really have not seen as an Assembly.

Within this policy letter we have assumptions that are saying even the target of the £10 million of savings which should actually be £10 million to £16 million has a 60% chance, potentially, of not being delivered. What kind of message are we sending to the community? Assumptions are extremely important and this is the reason why when we first looked at the latest tax policy paper, Funding and Investment Plan policy paper we thought the assumptions behind the modelling are absolutely critical and this is because since we have been in this Assembly we have gone through a number of iterations of what has been presented to us.

The reason looking at assumptions is really important is because they clearly have modelling implications. So, when we look at population growth the fact that it has not been in any way shape or form included as one of the strategic policies of Government in developing this Funding & Investment Plan, we think, is a real omission and what has been interesting once we actually started we asked for modelling to be developed on the population growth it showed how little capability the States has in actually developing assumptions around population growth because the assumptions were based on the linear cost model where an increase in population was assumed to have a proportional increase in costs and that is ridiculous.

We want to increase population because there are economies of scale, because we may have capacity such as in the education sector in primary schools or whatever so you do not have a proportional increase in terms of your cost base. So this just shows that in terms of the modelling assumptions we have had, we simply do not know exactly what is going to happen in five, 10 and certainly not 20 years time and all the assumptions can be challenged and have been challenged and looking at how we have performed against what is a budget log a medium short term forecast we have actually regularly performed differently and better than forecasted.

The omission of population growth, we think, is an important omission from the Funding & Investment Plan and I think some Members said that we only approve population growth in relation to housing and infrastructure. No, it is the fundamental strategic policy of Government, if we cannot use it to plan the rest of our policies then why do we pass such strategic objectives?

The second key assumption is around the Capital Portfolio. We know that we have historically under invested in capital but what is also important is that during the periods when we have been under investing in capital infrastructure we have also allocated and transferred money into the

reserves. Okay, so on the one hand we have been under investing but on the other hand we have actually transferred close to £300 million worth of savings into the reserves which is why the reserves are in the position that we have them and this is what is allowing us the opportunity to spend on capital at the moment.

One of the key proposals is that we just do not have the internal capability and the capacity to suddenly massively increase our capital spending from between 1% and 1.5% to suddenly spending over £100 million per year. We just do not have any evidence that we will achieve this kind of capital expenditure in the short term, we do not.

Two years ago we approved the first iteration of the Government Work Plan with the ambition that we would have a Capital Portfolio of over £600 million. So, how much do you think we have spent on capital over the last two years? We have spent £40 million in 2021 and £45 million in 2022. We are spending, despite all the efforts of this Assembly, all the approvals through the Government Work Plans, the capital votes and looking over this expenditure we have only been able to spent £85 million.

And so our true and honest belief is that the assumptions behind the Capital Portfolio expenditure timing are really off. They do not correspond to the reality and I want to bring the Assembly's attention to one specific point which I think is fundamental because it just shows how wrong the Capital Portfolio timing assumptions in the Funding & Investment Plan are.

I draw Members' attention to the phasing that the Funding & Investment Plan proposes for the Hospital Modernisation Programme. Through the more detailed charts that were submitted to us by Treasury I will share the numbers that have been shared with us, so that is within the Capital Portfolio but Members attended the Hospital Modernisation briefing that took place a few weeks ago at the Hospital, I believe it was about three weeks ago, it was reasonably well attended but not everyone was there. And Health officers indicated to us, well showed to us, what their timing in relation to the Hospital Modernisation Programme was and it does not bear any similarity to what the Funding & Investment Plan is proposing.

So the Funding & Investment Plan says in 2023 there will be £6 million of expenditure on phase 2. In 2024 there will be a £14.7 million expenditure. According to the presentation we had from Health officers it was going to be just £8 million. According to the Funding & Investment Plan it will be £29 million in 2025, £22 million in 2026, £8 million in 2027 and just £38 million in 2028 onwards. This is not the figures that were presented to us by Health officers. The timing that was presented to us that the majority, the vast majority, of the Hospital capital expenditure will be towards the end of this decade, it is not going to be front loaded in the next couple of years.

This kind of dove tails with what we have also been hearing in relation to the capacity of the main contractor here to be able to deliver on two programmes in terms of building first the Education campus followed by the Hospital. That does align with the recent information we have had in relation to capacity. But this completely does not align with what is presented to us within the Capital Portfolio which is the key, absolutely, the key aspect that underpins every single scenario that has been shown to us.

The expectation of capital expenditure is front loaded in the forecasting of the Funding & Investment Plan to the next couple of years and this is just not correct, this is just not true and it does not even align to the timing of capital expenditure such as on the major programme such as the Hospital with what the Committees believe they will be spending money.

So, if we are presented, Members, with a situation where the Capital Portfolio timing in the F&IP is completely misaligned with reality how can we vote on any of the scenarios because the capital funding is the absolutely key new measure that has been presented to us. So I was trying to think of an image of how we could describe what we are trying to do with such a dramatic increase in capital expenditure and it is like being a boa constrictor and trying to eat an elephant. That is what it is looking like, we are trying to pretend like we can catch up on this capital expenditure and spend all of this money in the next couple of years and we simply cannot which means we cannot then model the scenarios, whether it is one, two, three or whatever based on such unrealistic assumptions about capital expenditure.

This is the reason why for the fundamental modelling but also the reality of delivery purposes the model behind this amendment says that we should stick to our fiscal policy, which is 2% over the long term average and we are saying let us just try to even stick to that because if we stick that for the next eight or nine years it gives us an envelope of nearly £850 million of capital expenditure. That means our whole portfolio, our whole desirable portfolio can fit into that envelope with spares and that also includes availability for minor capital, transformation spend, etc. but we just have to be much more realistic about the timing and when we can spend the money.

So, by allowing for an envelope of 2% going forward over the next eight to nine years we are able to accommodate the spending on the schools, on the Hospital and on other capital projects and I think it will be an achievement if we actually can hit that 2%. I would very much like us to spend more and I think there is another amendment where we say we will be looking into capital expenditure on the Island in general, but I think we are still nowhere close to hitting those targets that were set by our fiscal policy. So, before we can start hiking our taxes to such a huge extent we need to be able to demonstrate that we can actually spend the money responsibly and on target and we still cannot prove that.

The other key part is really about savings. I think we have started some really constructive work on the sub-committee but it is still extremely early days and I really fundamentally believe that we have to demonstrate to the community that we can execute against the savings targets before we can have their mandate to increase taxation to such a significant extent and we are really nowhere close to demonstrating that we have a programme and that we are delivering against that programme. It is going to take two, three, four, five years to properly execute.

But the really huge elephant in the room that we do not seem to talk about is the implications of the revenue raising measures of this tax policy. So the combined effect of revenue raising measures we are talking about £85 million worth of new taxes that will be layered on our community that includes the measures in the core proposal as well as the GST and Social Security package. £85 million worth of new taxes.

So those Members who stand here and beat their chests saying they are defending the competitiveness of the Island I wonder whether they take their commitments seriously because these tax proposal will significantly increase the cost of employing people through the Social Security contributions, the slight amends to the words Social Security contributions, in fact what is being overlooked is that the combined effect of the tax proposals of secondary pensions, the increased contribution rates will be 26.5% contribution and secondary pensions rates within the next 10 years on employment, the combined effect.

So we will be paying more in contributory benefits through employer and employee contributions than Income Tax. Who is paying attention to what that will mean to the competitiveness of Guernsey, well not many people I think. The priority has to remain to start with is that any revenue raising measures that we have need to continue for the time being coming from the corporate sector, without continuing to put the burden on the households that are already paying the vast majority of taxes and will pay even more taxes because they will be more concentrated on those 40% of households.

So what this amendment is trying to do is to say we have to continue with a staged approach and in the next four years we can move far along in the staged approach across progressing our work on the savings against raising still a significant amount of money in the region of £40 million but nowhere as far as £85 million and that is intentionally, so this package of measures will still be raising a significant amount of new revenue and diversifying some of the taxes.

And the other pillar is that we need to develop an economic vision and strategy for this Island that continues to be a vacuum and missing (**A Member:** It does.) and we can continue having a lack of new innovative economic development measures that we can go back to the Island and say yes, we are raising £85 million from you but we know what we are doing and we have a plan of action of how to diversify and grow our economy. It is not just to plug the gap of public services and funds in the Capital Portfolio which is how this is currently being presented. And again we still have not developed that piece of work and Deputy Murray is leading on that piece of work. That piece of

work is extremely important, again to get the mandate from our community that we can lay such a significant new tax burden on them.

So I want to address some of the questions that were raised in relation to some of the Propositions. So I think there was a lot, somehow, made to the fact that some of those revenue raising proposals are not new. Well actually really a large majority of them were, as I said, introduced by the fairer alternative and the way some were worded does not mean they are happening, some of them may just be investigated. But this is firming further the fact that we want to be committing to introducing some of these measures.

The measures continue to propose the budget restraints, they are building on what has been developed through the pillar two initiatives by the Tax sub-committee. Proposition 6 is more ambitious in how much we think there is scope in terms of raising than that what is currently being proposed and again those kind of taxes were originally proposed by the fairer alternative proposals.

Proposition 7 is, again, different to and more ambitious than the Funding & Investment Plan and there is a number of different reasons for that. The E&Y report which we saw as part of the tax debate earlier in the year clearly indicated that Option 4 of linking to the introduction of a standalone levy that could be levied on the corporate sector could raise to the tune of £20 million. So, these are not my numbers they are numbers from the advisory report that we had.

So that is just the levy element. This proposal obviously also includes the opportunity to review registry fees and I take Deputy Inder's comments that yes absolutely we are looking at that. He thinks there is going to be very little scope in raising, I disagree with him because nothing has changed since 2009 and there is opportunity for further adjustments of the Zero-10. So I think we are still being, actually I would say, conservative here based on the information which we have already received by E&Y and the other work in relation to the Registry as well and we think this is quite realistic.

Market inscription work is also captured here and I think what is important is to show to the community the extent of the revenue raising measures that we can achieve, politically realistically this political term because as Deputy Burford always says just because someone might vote for GST today or the Assembly chooses to vote for the GST today it does not mean that it will come in, it is still will remain a politically risky choice to make.

In contrast the measures proposed here are there is some risk always, there is always risk, but they are much more politically deliverable. So, are we better to have £40 million in the bank or think we can raise £60 million with GST which might not happen and you will have to start work completely from square one.

We thought it was important to include the levy here again because as I corrected Deputy Inder the original Proposition is about investigating a levy and this is firming the Assembly's commitment that we want the levy to be introduced. Proposition 10, again something that came from the fairer alternative proposals. Looking at the latest budget proposal it is marginal, it looks like it is completely marginal tinkering with tax caps. I believe they are supposed to raise about £200,000 extra. I think it is marginal tinkering and I think any time someone says we are going to have a progressive tax system with the new GST proposals, well maybe it is a bit more progressive but as long as you forget that we are not taxing wealth, you forget that we have tax caps, sorry, but it is not a progressive system, it is progressive for those who draw the majority of their wealth from income. (**A Member:** Hear, hear.)

So it is those people who are in are employed, pay all their taxes and will continue paying more taxes because we do not dare to touch the tax caps, we do not dare to touch wealth tax, we do not dare to touch. So, please where we are saying we are going to have a progressive tax system it is only a fraction of the story. So Proposition 10 seeks to be more ambitious about how much we should be raising and how much we should be addressing the tax cap in equity.

I think there was a question in terms of borrowing from Deputy Mahoney and Deputy de Lisle as well. Based on the modelling assumptions we have had such as relating to population increases modelling for the investment returns which are the target for the investment managers, based on those projections we may not basically need the borrowing because we will maintain our reserves

at the level which we are basically happy with and this is the reason why it is left as an option because we do not fully know how the projections will materialise in four years time, based on how well the economy is doing, etc. So the best case scenario is that you may not need borrowing at all and that is how the assumptions behind the charts are currently represented.

So I think, in summary, it is important that we are able to show that we can deliver across savings, we can deliver an economic strategy for our Island, we can deliver on realistic revenue raising measures before we can go to the community and say listen we have tried it all and there is no other option except GST because GST is going to be such a big deal for the Civil Service, for our community that it will take our eye of everything else.

Internally it is going to be the focus of attention for the foreseeable future. It will take our eyes of everything else and I truly putting my hand on my heart I cannot say we are at the point where this is absolutely the last option and the last resort because there is still more to do and that is why we continue being, instead of trying to fix it all with some kind of magic wand of the GST that is going to solve all of our problems in an instant, I believe we have to continue to be a grown up Government that does the hard work across all those fronts.

As I said across savings, across economic development and across revenue raising measures and demonstrating that we are able to spend the capital expenditure money that we want to spend and we have not done that work and for those very good reasons I do not think it remains, as we have indicated time and time again, that it is not time for GST. It may be down the line but it is not time today. We can reverse the situation we have been placed in over the years but exacerbated by some of the actions of this Assembly.

Well we can start reversing that, we can start placing ourselves on a more sustainable footing then we can address in three years time, four years time, once we have more information, once we have seen how the savings programmes, economic development programmes, revenue raising programmes have performed to continue then taking measured decisions.

Guernsey does not do radical and huge (*Laughter*) we do not do that, that is not what our community does, that is not what our Government does we are not ready for that. Let us continue with the gradual approach to really put ourselves in a healthy position and this is exactly what this amendment is trying to do by continuing to take that staged approach that has been advocated by the fairer alternative.

Thank you.

The Bailiff: Well the States will now stand adjourned until 2.30pm.

*The Assembly adjourned at 1.05 p.m.
and resumed its sitting at 2.30 p.m.*

Funding & Investment Plan – Debate continued

The Bailiff: So, is there any other Member wishing to speak? Deputy Ferbrache.

Deputy Ferbrache: Sir, in fact they are not here, I'd like to say most respectfully that the ability and experience of the proposer and seconder of this amendment are not in question and I believe, although I think the amendment is flawed, that they are acting in what they believe are the best interests of Guernsey. So, I have doubt at all with the good intent of Deputy Soulsby and Deputy St Pier in relation to this particular amendment.

But, I have got to express my disappointment because what, and this is no criticism either of either, I think Rule 4 is a complete waste of time. I do not know why we bother having it because it is more than one compliance of the compliance but what they say in the relevant sub paragraph of

that Rule is that they have spoken with Treasury and I have just put it no higher than that, I am disappointed that they did not speak with P&R.

I am disappointed because, and Deputy Trott was half right and half wrong, so he got a pass mark, but when he said that he took, no exception, he commented on Deputy Inder's phraseology of cavalier as to the amendment. I have said from the outset, and I have said on many occasions, it was put in within the appropriate time, but only just and it was disappointing. With an amendment like this we are not talking about amending a little ordinance where it may or may not be so relevant and you cannot be surprised. This is something, I think we all in this Assembly accept, is a matter of real purport in connection with the future of the Bailiwick. I think we accept that. So I just expressed that but life is life, it is not perfect in connection with where we are.

Now the world has changed. As Deputy Helyar said our rainy day fund, as we used to call it, has got about a quarter of what it should have. Now in the days when I was previously in the States and for the two terms afterwards money gushed in, it gushed in and the States were able to put away fair chunks of cash every year into the rainy day fund and it was much higher than it currently is and that is before the 36 point whatever it is inflation we have had over the last 10 years.

Now Deputy Trott probably drew the short card when he became responsible when Zero-10 came along, because the world changed. We did not really want it to change in Guernsey but it changed. Outside bodies said all of a sudden to places like Guernsey, we cannot have, and it is my phraseology not theirs but this is the way I have always interpreted it, we cannot have our citizens and our institutions paying Guernsey tax and not paying tax where they think it should be paid in whatever country it was. So, the situation changed and Deputy Trott and his team addressed that very well.

Now the only disagreement I have ever had with him and we have had that conversation 100 times, is I thought it could have been stalled for a year or two but he said if could not etc. But that is a distinction without any real difference. Our financial position changed from 2008, 2009, or whatever it was and all of a sudden we did not really have these big surpluses. So, we have had to tax ourselves more internally, if I can use that phrase, since then and we have had to restrict corporate taxation in the way that Deputy Trott laid out. They have been relaxed a bit over the time because things have changed in connection with where we are.

But we are in a position now where our reserves are not good, our expenditure is high and there is no criticism, the real reason our expenditure has increased so significantly is because people are living longer. That means they need more hospital care, they need more social care, they need different kinds of housing and also because we have been a successful economy in lots of ways we have sucked in lots of people and the price of housing has gone up, whether you are renting a house or buying a house it is now beyond the ken, unless you have a rich mum and dad, of the average Guernsey citizen.

At one time it was a multiple of five or six; it is now a multiple of 16 to buy a very average local market house. So that is just not fair because of you are earning £38,000, £40,000 a year and you actually want the audacity to have a child or two and you might want the occasional holiday then you have got no chance of buying your own property and you are going to have to pay £2,000 a month to rent or £2,500 a month to rent.

But the amendment tabled by Deputy Soulsby and Deputy St Pier in relation to Amendment 3, it is really in four parts. The first three paragraphs are really introductory paragraphs it would be a bit like an introduction and then the fourth part is conclusion. So we have really got to look at, in my view, parts two and three. Now part two is headed 'expenditure restraint and revenue raising'. Now what we have seen, and this as I say from the able experienced politicians that Deputy Soulsby and Deputy St Pier are, paragraph, Resolution, whatever we call it 17 is a hole below the waterline really and what I would have expected them to do, because they are both experienced financial operatives and I mean that in a nice way, a constructive way and they would know when you look at pension funds the value of those it is very rare that a pension fund is 100% funded. It is the exception rather than the rule.

Now the States Employees Pension Fund is valued every three years, So it was last valued at the end of 2020, the next formal valuation is in a couple of months time at the end of 2023. Now what I would have expected them to do when putting forward these proposals saying we are going to have a contribution holiday for three years from the employer is to check with Treasury, check with the actuaries to see if they can get an up-to-date valuation, an up-to-date-ish valuation. So you would know before you put this in because what it shows, the most recent valuation is the end of August so that is seven weeks or so or thereabouts, and that shows it is 89% funded.

Now we, sir, collectively just over a year or so passed a Resolution to say if it was before 90% effectively we have got to look at the contribution rates again. I am summarising it we all know, well we are below 90% and there is no reason to show, at the moment, that it is going to go above 90%. It is certainly a long way from 100%. So the shortfall is £190 million, £192 million, £194 million, a heck of a big sum for Guernsey,

Also, bear in mind as Deputy Mahoney said, in that scheme there is about 5,000 pensioners and there are about, but not quite but let us say there is 5,000 public services employees, so you are talking about 10,000 people and their dependents who are affected by a decision to not put in contributions for a full three-year period. That is going to have a massive effect and it is not Robert Maxwell, because Robert Maxwell was a crook and he raided the pension funds and took the money. Nobody is suggesting Deputy St Pier and Deputy Soulsby are certainly not suggesting that, they are just saying having a reprieve I think.

Of course Deputy Soulsby, as you would expect, is absolutely correct when she says, 'Well, you have got to vote for the amendment yes or no as a whole because those are our rules and then you can vote against individual Propositions. Of course that is true, but this is such a core part of their revenue funding proposals because it talks about £76 million over a period of time. Once you have taken that away, that is like taking the foundation away from a house, all of a sudden the walls are going to fall down, the roof is going to fall down because there is no substance to it.

But let us look at the proposals actually numbered 4 to 11 which, as I say, are headed 'expenditure restraint and revenue raising'. Now I am going to deal with the revenue raising first and that first appears at number 5, to direct P&R to apply OECD Pillar 2 initiative setting out an effective rate of 15%, etc. raising a minimum of £10 million. Well, unless I am wrong, and he is sitting to my left, our Treasury lead is a compatriot to the Isle of Man and Jersey since as far back as May we are signing up to Pillar 2. We are putting a hand up, that is what we are going to do and that is going to raise about £10 million. So there is £10 million from that.

And also then 6, to direct P&R to increment vehicle parking taxes etc. raising an estimated £10 million to £15 million. Now, again, let us say we are looking at more like £10 million or £11 million at the moment but we are in discussions, and they are not finalised, Deputy de Sausmarez and I have had chats, we have also had other chats so we have got some way to go, we are looking at that. But let us say we raise another £10 million from that so that is £20 million-ish. The next one is to direct P&R to implement by 2026 further measures to increase revenue by tendering with the corporate sector including review of the Guernsey Registry fees, introduction of additional fees and feasible.

Well Deputy Helyar and his sub-committee or working group or whatever it is are looking at that but you have heard what Deputy Inder said, we are already not cheap, we are already more expensive in relation to certain validation, registration fees than other jurisdictions. Now those other jurisdictions, our competitors, our real competitors, are Jersey and the Isle of Man. I like them, I have a good working relationship with my colleagues in the Isle of Man and Jersey but they are competitors.

Now they have got consumption taxes in one form or another so why should they help us as a competitor to adjust the tax situation, adjust their tax situation to help us. So I do not think that figure is realistic, although well intended. I would like to know what basis when Deputy St Pier speaks as he no doubt will during the course of this debate or Deputy Soulsby when she sums up, how they come to that figure.

2205 Direct P&R to, there is no figure on this, to implement no parking restrictions. That is already being looked at but I do not think there is any figure you can place on that and certainly they do not look to place any figure on it. Then to direct a tourism levy to raise a minimum £2 million. Now in a previous conversation I had and I hope he does not mind me mentioning it but if he does I am going to say anyway, Deputy Inder said to me that he did not think we would get to £2 million through a visitor levy. So, he does not think that is achievable having regard to where the tourist industry is we are still miles away from the pre-COVID figures and I hope we get back to them but it might be unlikely.

2210 Although tourism has had a reasonable season it is a difficult season still and there is still some way to go to get back to the halcyon days that they were perhaps 20 years ago, or whatever it was. But even then, let us take that figure of £2 million; let us say that is the actual figure £2 million.

2215 Direct P&R from 2025 to increase the tax cuts, well we are doing that if the Budget is approved of course, in this next Budget by a sum. Now, again, there is no quantification in that thing about raise them to e.g. £400,000 and £200,000 which would raise X and Y or whatever it is. So there is no figure in that and it is unlikely to raise significant sums and the final one.

2220 So those are the increase in revenue. £10 million from Pillar 2 let us say £10 million from car taxes, etc. so that is £20 million. Let us guess at, because it says increase revenue by £10 million but that is probably a bit on the high side, £5 million from Number 7. We cannot put a figure on 8, we do not know. Let us put £2 million from tourism that is £27 million. Let us add another couple of million, I am just adding these figures up as I go along from tax caps, we are less than £30 million a year. Less than £30 million a year extra revenue from those.

2225 But of course with the revenue raising, when Deputy St Pier stands up or Deputy Soulsby, they can challenge my figures, I am only going from what they have written in their amendment. So when we look revenue as straight to direct P&R to prepare the annual Budget for 2025 to include £4 million in real terms reduction. So that means you have got to add inflation, let us say 3%, 4% or 5% so you are going to be up to £4.5 million, £5 million, well you have got to add it to the whole thing so that is a significant reduction.

2230

I would like to know, because until just over a year ago Deputy Soulsby was a member of Policy & Resources and I know a lot can change in 12 months and Deputy Prow referred to Deputy Soulsby's speech about GST a couple of years or so ago, also her view then I think was that we should be reducing our GDP spend rather than increasing it. Well we have seen, when we get to general debate if we get that far, I am going to be speaking in relation to the fiscal panel review report we published 10 days or so ago now at some length because it refers to just how imbalanced we are in relation to our economy.

2235

So let us say that is £4 million there, I am looking for the next reduction, £4 million, nothing at 5, nothing at 6, nothing at 7 and perhaps at 11 another £5 million on their figures. So, take it off you have got an extra £35 million on the balance sheet, you take £5 million of you add £29 million, £30 million on it is a £35 million switch. That is what I see in relation to that but that is not going to get us to where we need to get.

2240

So then we have got capital revenue, expenditure and reserves at paragraph 12. To reaffirm that the States should continue with, until policy change, fiscal framework approved in January 2020 the capital expenditure should remain at current levels, 2% averaged over eight years and I appreciate there would be years when you only spend 1% and you might spend 2.5% because it depends on the capital projects.

2245

Now if I recall and I was party to that debate that Deputy St Pier sought to reduce it from 3% to 1.5% but Deputy Roffey bought an amendment saying it should go back up to 2% and that amendment was successful. That is how I remember it; if I have got it wrong somebody can correct me when they make their speech.

2250

Now, again, I say I am going to go into that in general debate but these evident economic experts, two of which have got considerable experience outside of the Island, in a report that we all recently read, saw and had presented to us say that 3% is what we should be looking at. We are below Mexico – *Mexico!* – we are bottom of that league in relation to what we spend in our GDP.

2255

Now I am not criticising the previous regime or the previous, previous regime or the previous, previous regimes but it is a fact we have not invested enough in our capital infrastructure over a period of time and S&P when they did their review and downgraded us by one level said that one of the reasons, there were various reasons, was our lack lustre investment in our capital infrastructure.

So 13 – and I appreciate Deputy Soulsby said correct the numbers – directs P&R to prioritise housing. Well we all agree with that and we are going to have an amendment brought in due course about spending a lot more money on affordable housing. An amendment that I am likely to support but let us put that to one side for the moment. So, we agree with that.

Now this one, to agree that I am the modernisation programme, that is Phase 2, now what I have been told in relation to that Deputy Kazantseva-Millar gave some figures and she was right about the figures and the presentation, I think there was only 11 of us – only 11 of us! – at the Hospital, I was one of them, she was one of them, at that thing and I think it is a shame because it was a major thing. But anyway there were 11 of us so we listened to what the officers of the document etc. had to say.

But Phase 2 of the Hospital and you can think the figures can be adjusted a bit, it is going to cost £120 million and it is going to be from late 2024 to late 2028 or thereabouts I think, and we all know with building projects of that size you spend more towards the latter part than you do at the beginning but there is still going to be a fair bit of expenditure. It does not matter where you spend it you are going to have to spend £120 million over that four year period of time.

So that is a big expenditure and what they are saying at 14, and these are expenditure items, is that the majority of the health reserve can in principle be used to fund the Hospital Programme and ring fence at least £50 million of that reserve for that purpose. So there is just over £100 million in that reserve. For the last four or five years it has been used to fund the NICE drug at £5 million, £5.5 million a shot.

If that fund is reserved, if that reserve is raided significantly then that money is going to have to be funded from general income, from taxation, it is not going to disappear that expenditure, the States is not going to go back on that. Then it says, and I agree I think there is an inconsistency in my logic at least, to maintain the level of general reserve. So you take away from the health reserve and I appreciate the general reserve is different from the health reserve then you borrow, to agree that based on Scenario 4 up to £100 million of borrowing may be required and then there is 17 which, I think, they have not formally abandoned but I almost see the white flag of surrender from the Proposer of this amendment in relation to 17 because that is, to use my analogy or metaphor, a hole below the water line and then 18 and 19.

So that is it, that is what we have got. That is not going to address our concerns at all. It is not going to touch the proverbial sides. We have all accepted in this Assembly, we have passed resolutions to that effect, that our financial position is not sustainable. We have got to come up with something that is sustainable. I am in the Deputy Helyar camp, I do not want to be choosing, at one time I thought we might have to choose between the Hospital and the school further education project, I do not want to do that because I want people to have decent hospitals, I want people to have decent education facilities.

Now I know there is going to be stuff about why do you have to move the sixth form when it can stay where it is? It is not going to be at **bagatelle???14:49:03** but it is a relatively minor part of the expenditure overall and in relation to that we have got other items. The computers have not been the best in the world and as I have said many times and I am not only saying it jokingly, I find it difficult to switch a light on (**A Member:** Hear, hear.) with a degree of accuracy, but I do realise that we live in a computer age now.

People criticise the States' computers but we forget that IT technology is relatively modern in the history of the world and Education would have a project, Health would have a project, somebody else would have a project and they were never all lumped together. Now that is not a great reason but they are going to have to be somehow. We do not want the outages we had in November, December and January that has been adequately addressed.

So really what I am saying is that, and I have spoken for long enough, I do commend and I respect the proposer and seconder of the amendment but this amendment is flawed. It would take away, if successful, all the Propositions subject to any later amendments for the other amendments, and those do not really impinge upon this unless we supersede this amendment with the Deputy Parkinson amendment or we supersede it with the Deputy Trott amendment which are the only other two, if I can use the phrase, revenue earning proposals or revenue garnering proposals, we are in the proverbial stuck.

So are we going to be sweeping away everything, putting all our eggs in this basket when this basket does not do the trick on anybody's scenario and Members would have received advice that we received that if this proposal is passed you would not be able to fund either the school or the Hospital.

Now people can change that arithmetic and say you have got it wrong, it should be based on this but if it puts that degree of doubt in your mind you should not be considering this amendment. So, again, for the fourth of fifth time, I do respect the proposer and seconder they are experienced and able politicians but this is not a good amendment and should not be supported.

The Bailiff: Deputy Falla.

Deputy Falla: Sir, with the business community in focus I looked at what the Executive Board of the Chamber of Commerce have had to say about the F&I proposals and I spoke at some length to Chamber in advance of this debate, I know they have been around the table with P&R. Where Chamber has shifted its position is that it now recognises that the case for tax increases has been sufficiently made but, it still says that cost savings remain short on detail and has made a number of suggestions as to where further savings could be made.

It also provides a number of broader suggestions as to the raising of additional revenue such as sugar, cardboard and commercial void taxes and calls for more efforts for increasing productivity and economic activity, some of which of course sits with Economic Development.

Geber in a statement issued at lunchtime today is broadly in line with Chamber, both in its views on the need for further savings and in regard to tax. Well that input is welcomed, sir, but on this occasion I have to part company with those business groups overall acceptance of P&R's Option 3, at this point and that is because I am trying to be realistic about what can be achieved now (**A Member:** Yes.) this week.

We have heard from Deputy Soulsby that this amendment offers a balanced staged approach. In my view, for that reason, it warrants serious consideration. I also believe it is a better option than to risk that P&R's Option 3 will fail to attract enough votes and we will all walk away from this week's debate with no solution at all.

Yes, some of the components of Amendment 4 are already under consideration. That is true and it is a point that has been raised by a number of objectors to this amendment. That does not make them any less valid as part of a balanced stages approach. So what is good about this amendment? Well, sir, it has listened to the community (**A Member:** Yes.) P&R may have moved the public opinion dial a little, (**A Member:** Yes.) I accept that, but nowhere near far enough in my view.

All that said, I do have concerns among other speakers today regarding the section of the amendment on taking a pension holiday and the potential impact on the Superannuation Fund, that does make me nervous and for that reason I may vote against proposal 17 should I get the opportunity. But even if this amendment is not the total fix that we would all love to find it does perhaps provide a more palatable solution for even parts of it to be adopted alongside one or more of the other amendments that we expect to see laid later in this debate, for example, a proportionate increase in Income Tax rate.

The amendment has been described as a smorgasbord in a sort of semi derogatory way but what is wrong with a smorgasbord? It is more imaginative than the lazy sledge hammer option of a consumption tax. If, and only if, and when we have tried everything else then perhaps in the future

consumption tax may need to be reconsidered. I do not believe this week that the community believes we have pursued all other potential options and Amendment 4 does offer us some.

GST has come back to this Assembly too soon and if we, in this political term, go ahead with it it will just show how out of alignment we are with the majority of the people that we are elected to serve and I fear it will not be the end of this debate it will just return to the Assembly next political term.

The Bailiff: Deputy Dyke.

Deputy Dyke: Thank you, sir.

This is quite a difficult debate with the various options and the way they have all been structured it is giving me some concerns as to how I can work out how to vote. It is the problem I think with setting off with grand plans as opposed to smaller incremental plans which is what I think we probably do better.

On a cheerful note I think we have achieved some decent results already following our debate earlier in the year. Various lines of work are going on, we have our Tax Review Committee, we have our Savings Committee and we are waiting for them to report. So possibly this debate is a little bit ahead of their reporting, which is unfortunate.

There are some other good news items as well that we have seen although obviously they do not take away the problems but I just noticed from *The Guernsey Press* a couple of days ago the cost for prescriptions for the last year have gone up barely anything in even monetary terms so an actual reduction in real terms. So that is useful.

We have also seen unexpectedly that the projected figures for this year are £20 million-odd better than we had anticipated, so that is very good. These things happen as we go along. They are obviously not the answer to everything but I just wonder if this vote is a bit too early, I am considering the smorgasbord that has been offered by this amendment and I do not really mean smorgasbord in a derogatory sense, it is good to have options.

This current Amendment 4 though does worry me in a few respects, most notably with regard to what we are actually going to do in terms of capital projects as do the recommendations of the proposals of P&R. We have on the table various capital projects as a factual matter that we have to look at. One, the most urgent, is probably the education development to finish off what was started. We have the Hospital which, in my view, is probably something that could be deferred slightly. It is something we want to do but if we are going to have to prioritise then I think we have to prioritise education. We need to do the Hospital but we can spread it out.

We do have a rather urgent thing that has not been emphasised very much namely what we are going to do with our solid waste, that seems to have been dropped off the horizon despite the fact that Deputy Roffey has reminded us we are going to be building up a great pile of garbage if we do not do something. As I understand it the initial proposal from STSB to use the site south of Longue Hougue was blocked because there are crunching crickets or something (*Laughter*) living there, so we are now looking at La Varde.

So, I mean, that is something that is going to have to come up quite high which we have not talked about. We have talked about the amount we have to spend on IT. We do need to do a lot of work on IT but at the moment I do not think that our internal States' IT staffing levels are such that, or the appropriate staff there, are yet up to speed to doing a lot more IT work right now. I know that is being worked on but if we take on a lot more IT including running of GST itself I think that is problematic to do right now and that might be something that we need to spread out over a little period of time until we are better placed to actually do it.

So those are the specific items and I do think we need to focus on the specific items rather than the percentages we have been talking about. We have been talking about the OECD average of 3% or the aim of 3% and we are compared to Mexico because we have not spent enough on our infrastructure. But who has actually been to Mexico? I went to Mexico 20 years ago and I can tell

2410 you beyond a shadow of a doubt that our infrastructure is in a rather better condition than Mexico's
(*Laughter*), so I do not know why we are comparing ourselves to Mexico at all.

So I do not think the percentages are actually relevant. The UK spends, invests as they call it, on all sorts of things. I mean they have just built HS2 which is a railway costing £100 billion dollars that does not even go to two city centres. So, we have not done that they have done that but that
2415 percentage has not helped. So, I think we need to get away with that and being a little jurisdiction we need to just focus on the particular things that we have to do and work out how to stage them.

So, personally, I think I am in favour of this amendment to a point but then what is putting me off it is where it is talking about capital expenditure, we are not talking about education that seems to have been cut out and I am not very happy about that, but I am conscious.

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Deputy Kazantseva-Miller: Point of correction.

The Bailiff: Point of correction, Deputy Kazantseva-Miller.

2425 **Deputy Kazantseva-Miller:** I want to reassure Deputy Dyke that education is not intentionally cut out, there is a capital portfolio in the sum of £850 million that allows for education and the Hospital to be delivered but over the right phasing.

Thank you.

2430 **The Bailiff:** Just a minute Deputy Dyke. Once again that is not really correcting a misleading or inaccurate statement Deputy Kazantseva-Miller it is engaging in debate and pointing out something, plus you have already spoken you are in difficulty but the right way of dealing with a point like that is simply to stand in your place and wait and see if the Member speaking will give way to you rather than raise a point of correction. So invalid points of correction are not going to help the progression of this debate. Deputy Dyke, please.
2435

Deputy Dyke: Thank you, sir.

Yes, well that is one of the problems, I thank Deputy Kazantseva-Miller for the correction or intervention. It is one of the problems, I think, with the options in front of us in terms of the
2440 prioritisation of these capital items. So at the end of the day I think and I do not want to start talking in general debate because we are still on an amendment, but at the end of the day I think I am more inclined to go for one of the non GST P&R options, either scenarios 1 or 2 which we could then work with. I think that is all I have to say.

Thank you.

2445

The Bailiff: Deputy Le Tissier.

Deputy Le Tissier: Thank you, sir.

First off I would like to apologise for not raising this earlier but I have a question to you, sir. If
2450 any of the Deputies here are subject to the tax cap would that be a declarable interest in this whole debate?

Thank you.

A Member: I wish! (*Laughter*)

2455

The Bailiff: Well in the absence of a Law Officer I will say No, at the moment, but if it gets to there being a substantive Proposition rather than an amendment, which is what, is being debated at the moment, it might be.

2460 **Deputy Le Tissier:** Thank you, sir.

The fairer alternative to me the proposal is a bit like a curate's egg, it is both good and bad. I support the tourism levy but should it actually say visitor levy because if you are here on business and staying in a hotel it is my view you should pay. You are definitely not a tourist. Tax caps, yes that is fine but in my view it does not go far enough. Pension holidays, yes that is a great idea but I think with the latest report that option is a hole below the waterline.

Now I know we can vote individually on the different Propositions in there but my judgement is there is more that I object to that approve and there is also the issue where if some of the Propositions are carried and others are not it could leave the whole Proposition in a difficult position, so it is all or nothing in my view. Therefore, on balance, I think I am minded to probably vote against.

Thank you, sir.

The Bailiff: Deputy Matthews.

Deputy Matthews: Thank you, sir.

I think I am in a similar position to some of the other Members who have spoken. I am inclined to support the amendment but I have some misgivings about swathes of the measures contained in it. I do not really like the tourist tax proposal, I think that there is the potential there to discourage people from visiting the Island and this is not my favoured alternate to P&R's proposals, my favourite one is one which Deputy Trott will be laying later in the debate.

But rather than go through all of the measures I did really want to speak about Proposition 17 which I intend to vote against if the amendment is successful. But I would not be opposed to a negotiated change to pensions contributions negotiated with the unions involved. I suppose I should declare an interest in that I am a member of PSPS having worked at Guernsey Post for a number of years.

But really a pension is deferred pay and the pension forms part of a pay package that public employees receive and that unions represent and P&R could in negotiation make the case that in these straightened times that less can be afforded with each of the bargaining groups and things will be different whether you are talking to nurses or teachers or civil servants.

What I cannot quite work out is why very little of this has been attempted previously, certainly in terms of differentiation between groups. The last pay deal was a blanket offer to all public sector workers, other jurisdictions faced with high inflation rates have attempted to apply restraint. Now whether your position is for or against that my point is that it does not seem to have been attempted previously and that does leave us with a bit of an imbalance. Certainly healthcare workers have made strongly the case that they feel that they are relatively underpaid when compared with other public sector comparators.

But the debate on Proposition 17 I think does highlight one of the pernicious effects that an RPI increase, which is a secondary effect of GST, brings about. I mentioned this actually I think in the debate at the beginning of the year when we talked about the introduction of GST and at that time it was expected that a 5% GST would produce a 3.25% increase in RPI in the year that GST was introduced and at that time in January the figures that I received was that in terms of public sector pay, which is not automatically linked to RPI but you would expect it to be the basis of a negotiation, the impact of that increase would be £10 million annually and that for pensions, which are paid from the Superannuation Fund, the increase would be £2 million annually. The majority of States' expenditure you would expect would increase by a similar amount due to this secondary effect of an RPI increase.

Now this secondary effect is sometimes described as a one off affect on inflation, which it is, in that it does only affect inflation for one year but bear in mind that is just an uplift for one year. The uplifted amounts remain payable in every subsequent year because pay is not the only effect that RPI is linked to.

Another one is rent. So renting or private sector leases is often linked to RPI, especially in long term leases there is such a thing as an RPI clause where rent is linked to the RPI that is published

each year. So, for private sector rentals that are affected by this rents would go up in the year of introduction of GST, so if you were paying £1,000 a month in rent that would cost you £390 extra year in the year that GST were introduced and every subsequent year.

Now that would have the effect of counteracting some of the mitigations that are in place for individuals in terms of the cash in their pocket. So, it is true to say that disposable income would not be effected but the cash that people are left with at the end would be and in some cases that would entirely reverse some of the mitigations that are in place for people who are renting.

So, why should I support this amendment when there are great swathes of measures that I have issues with and the answer is that it is not GST? There is every chance that GST will be an election issue and the next States will be elected on a platform to repeal it. This amendment does have many limitations with how it attempts to raise revenue but in my view it is preferable to committing the Island to borrowing, supported by an assumed introduction of GST that might not go ahead. That would be a great risk and I do not think the States should take it and so although I have many reservations with this amendment, and I cannot support Proposition 17, I will support the amendment.

Thank you, sir.

The Bailiff: Deputy Leadbeater.

Deputy Leadbeater: Thank you, sir.

In facing the challenging landscape of our evolving workforce and increasing life expectancy we find ourselves at a pivotal moment where responsible action is imperative and I do not think anybody will disagree with that. The delicate balance between sustaining social programmes and meeting the needs of our ageing population demands a careful recalibration of our fiscal policies and we as a Government are not alone. The exact same issues face many jurisdictions across the developed world.

Now as in the years ahead as we witness a shrinking workforce coupled with longer life spans the strains on our health and social services across committee become evident. To ensure the continued well being of our citizens and the stability of social support we must only consider a progressive approach to taxation.

A fair and measured increase in taxes can be the corner stone of securing the future for generations to come. By implementing a progressive tax system we must aim to distribute the burden equitably recognising that historically there may be organisations and individuals who benefited more from the current system and that they can contribute proportionately more in order to achieve the equity we seek.

This is not merely a fiscal necessity it is a moral obligation to foster a society that supports its members from cradle to grave. By embracing a progressive tax structure we affirm our commitment to solidarity ensuring that everybody, regardless of age or circumstance, can access the support they need.

In this endeavour we tread the path of sustainability and compassion. Let us rise to the occasion acknowledging the changing demographics and shared responsibility we bear for each other's welfare. Together we should forge a future where the longevity dividend is a boom rather than a burden, where our social fabric remains resilient and where the bonds that unite us grow stronger rather than weaken due to the wedge being driven between the Assembly and the community, because in the tapestry of democracy the threads of public opinion are not to be ignored but woven into the very fabric of governance.

As we discuss the prospect of new taxes it is crucial that we recognise the resonance of public sentiment and lend an attentive ear to the voices of those we represent. The strength of any democracy lies in its responsiveness to the needs and wishes of its citizens, when contemplating new tax measures we, as legislators, must not only propose but also engage in genuine dialogue with the public. It is not a mere courtesy it is a fundamental duty to listen, understand and respond to the concerns and preferences of the people.

If the echo of public disapproval reverberates it is not a sign of assent but an opportunity for further inspection. A democratic government should not be deaf to the murmurs of discontent but rather agile enough to pivot to seek alternative solutions that align more closely with the aspirations of the populous.

Taxation is not an end to itself but a means to fund essential services that enable and benefit society. To this end we must explore avenues that resonate with the public, finding common ground that addresses fiscal needs without forsaking the democratic principles that bind us together.

Let us be architects of inclusive policies shaped not only by the halls of power but by the collective will of the people. In the shared journey listening becomes an act of strength, adaptability a mark of wisdom and responsiveness the corner stone of a truly democratic and participatory government. So for the reasons I have just outlined, sir, I will be supporting the fairer alternative amendment and I urge other Members to do the same.

Thank you.

The Bailiff: Deputy St Pier.

Deputy St Pier: Sir, I will perhaps begin by commending Deputy Leadbeater for his very thoughtful analysis as to how he has got to the position he has got to because I think that does reflect, as indeed Deputy Kazantseva-Miller and Deputy Soulsby have said, that the objective of this amendment is to provide a staged practical stop gap approach rather than being the silver bullet. Equally I would also like to commend Deputy Falla for his analysis as well because I think he captured the challenge as well.

Sir, I am going to start with the question of credit rating because I think this has become a little bit of a red herring in and around this debate. Deputy Helyar said when he opened debate that there would be the capacity for the States to borrow up to another £750 million but Standard & Poor's have advised that that would be a challenge because there is no funding plan to enable the servicing of that debt and its repayment together with the existing bond.

It is worth reminding Members that for most of recent history we have not had a credit rating, we had one for a short period at the back end of the 2000s when Deputy Parkinson brought plans, I think, in around 2008 to the Assembly and the credit rating would have been needed had the States approved those plans and needed to go to the market at that stage. Those plans were defeated, the credit rating lapsed.

In 2014 Treasury & Resources, of which I was Minister at the time, bought proposals to the Assembly to borrow. We needed a credit rating, we went and got one. After that bond was taken out we saw no further borrowing requirement, we saw no need to pay for the credit rating, we let it lapse and it has subsequently been renewed.

So a credit rating is only needed for us if we wish to borrow. Now the idea that it has some great cataclysmic impact on our financial services sector is vastly over blown. (**A Member:** Hear, hear.) When we had an AA-rating largely on the back of being of a sub-sovereign of the UK, remembering that most of our downgrades have been as a result of the downgrading of the UK not from any change of our own position, it was a convenient marketing tool to put on as another bullet point on marketing material for financial services organisations along with our geographic location, our time zone, our language, the depth of our experience, oh and we have got a great credit rating too. If we do not have a credit rating it drops off that list of benefits. So we should just maintain some sort of perspective about the role and purpose of the credit rating.

Sir, Deputy Mahoney and indeed Deputy Moakes and I think actually Deputy Ferbrache to some extent, have made great play of the fact that this amendment seeks to delete and replace all of the Propositions as if that were in some way a major event, it really is not, it is simply a politically convenient way to take out what those proposing the amendment do not like and to put back the bits that they are quite happy with. So all the bits that Deputy Mahoney ran through as being well we are already doing that, it is already in there well yes, absolutely, which is precisely why we were content to put that onto the face of the amendment.

Deputy Dyke also made the point that we should recognise that much work has already been done but of course it is worth acknowledging the work has been done, namely the creation of the tax sub-committee and indeed the savings sub-committee both of which Deputy Kazantseva-Miller referred to are, of course, on the product of Stage 2 of Option D. In the absence of that that work would not have been done or certainly not done in that particular structured way as directed by the Assembly. And, indeed, that really is the response to Deputy Inder's suggestion that this is the second bite of the cherry. Well, of course, arguably this debate is the second or even third bite of the cherry in bringing this proposals to the Assembly, but certainly the work that has been done, as I have said, was directed by Stage 2 of Option D.

Now a number of Members, Deputy Falla, Deputy Dyke and others have referred to referred to the smorgasbord of options here, and Deputy Le Tissier as well. Now we chose to structure the amendment intentionally that way as separate Propositions because we had learnt from Stage 1 of Option D, which was the piece of our amendment earlier in the year which failed, it was presented as it stands or it falls altogether and so we took the benefit of that experience and felt that it was better this time round to give Members the option to support those bits which they are supportive of, knowing that some are keener on, for example, a tourism or as Deputy Le Tissier says a visitor levy and some less so. So that was an intentional decision in constructing the amendment in the way that we have.

Deputy Mahoney also referred to a number of the assumptions which are referenced in the Appendix. Now these, of course and he expressed some surprise that we should be placing reliance upon them, but they are decisions of this Assembly which are intended to drive other Government policy. So, why on earth do we both having those debates and making those determinations if we are now saying well it is all very well to make those assumptions around our need for infrastructure and housing but we cannot rely on them for the purposes of fiscal planning. I am not going to give way.

Deputy Roffey: Point of correction. *(Laughter)*

The Bailiff: Point of correction, Deputy Roffey.

Deputy Roffey: Deputy St Pier said that the assumptions under part 1 of his amendment were decisions of this Assembly; I do not believe the presumed return on investment has ever been debated or decided upon by this Assembly.

The Bailiff: Deputy St Pier.

Deputy St Pier: The further point which Deputy Mahoney referenced was the £4 million real terms reduction. Now he referenced that as being specifically he used the word reduction in the portfolio he said. Well, it has got nothing to do with the portfolio, it is a reduction in revenue expenditure which, of course, given the size of our revenue Budget for 2024 and beyond it is less than 1% and I make the same case as I did standing wherever I was standing in January and February that if this Assembly really truly believes that it cannot commit to less than a 1% real terms reduction in revenue expenditure on the general revenue budget, particularly when we consistently under spend Committee budgets year in, year out with the possible exception and challenge of Health then we really are not trying very hard and that is, I think, perhaps the key message from Deputy Leadbeater and indeed Deputy Falla, that we need to be seen to be trying hard to deliver even a tiny bit less than 1% reduction in real terms revenue expenditure if we are to gain the communities commitment and buy in to real revenue changes and increases.

The reference in Proposition 7 to £10 million, I think Deputy Kazantseva-Miller correctly drew attention to the fact that that had come from the E&Y report which had been commissioned by Policy & Resources; it is not a number that has been dreamt up by Deputy Soulsby, myself and Deputy Kazantseva-Miller.

Deputy Prow referenced the Isle of Man and Jersey and drew attention to the fact that consumption taxes there were going to raise, I think, a billion over 10 years for Jersey at 5% and over a billion I think for the Isle of Man over around three years at, of course, 20% VAT. But of course it is worth pointing out that both of those jurisdictions have significant fiscal challenges. The suggestions as Deputy Prow was making out that the sky would fall in in the absence of having our own consumption tax really belies the challenges which they continue to face despite having had consumption taxes for many, many years.

Turning to the question of, and again Deputy Moakes referred to this and others as well, Deputy Ferbrache, Deputy Dyke, the question of 3% of GDP suddenly now is the capital expenditure target bolstered by the fact that that is what the fiscal panel have referenced (**A Member:** Hear, hear.) I was astounded to see the fiscal panels reference to 3% without making any reference back to this Assembly's debate in 2020 and the careful analysis that was undertaken by our own team of the recommendation of 1.5% that Deputy Ferbrache correctly identified was P&R's recommendation at that time, it was not my recommendation, he will well know that, it was P&R's recommendation which Deputy Roffey challenged with a successful amendment and that is precisely why Deputy Soulsby and I are suggesting in Proposition 12 that we should continue to adhere to that decision of the States in 2020 unless and until some alternative evidence is presented that suggests we need to work to a different number.

Now the 3% as that policy letter said, if Members wish to refer back to it on line now, is an international norm based on what goes on in other countries, including under developed countries or those with less developed infrastructure such as Mexico. So the idea that we should be chasing 3% simply because other jurisdictions are chasing 3% or spending 3%, China of course being perhaps the best example of a country that has invested substantial proportions of its GDP in infrastructure in recent years, we are not comparing apples with apples we need, as we said in 2020, to be spending what we need to spend to maintain our own infrastructure but also we need to spend what we can actually spend and deliver over a reasonable timeframe with the resources we have, not only cash resources but actually the project management resources and the constraints within our own economy and with our own on Island resources.

And that, sir, I think perhaps to address Deputy Dyke's concern around Proposition 13 is why Proposition 13 is drafted as it is. We are not seeking through this amendment or debate to reorder the capital prioritisation programme. We do not have enough information and I would suggest actually nobody in this Assembly really has enough information, with the possible exception of the Members of P&R because the detail of what is in the capital programme and the individual components and expenditure of it is not at a sufficiently granular level for us to make those judgements. There are some quite big numbers attached to some quite short words associated with particular projects but not nearly enough to be able to do that reprioritisation exercise and that is why Proposition 13, sir, for the benefit of Deputy Dyke and others, is constructed as it is to enable that to take place. But importantly, as it says at the end having given specific consideration to the capacity of the construction industry, other relevant contractors and importantly the States to deliver capital project and the timing of delivery of capital projects.

This is absolutely central to our amendment. Our case, sir, is that the premise of P&R in their policy letter is that we have got an awful lot of capital which adds up to £550 million or so and we need to raise that money, therefore we need GST. The reality is we are never going to be able to spend that level of capital in the timeframes that we are talking about and therefore our ability to spread that out over a more reasonable timeframe is central to the case and hence why this, what we call, staged practical case is there.

Deputy de Lisle has raised, understandably sir, the question of borrowing and it is really to emphasise that the purpose of our referencing, in Proposition 16, £100 million is, sir, we have an extant resolution which allows P&R to borrow up to £200 million. Now P&R have said that they have not had a need to use it and they do not intend to use at the moment, subject to this debate, but nonetheless that authority is there and we feel that it is appropriate to scale it back. We do not

2720 feel, based on our analysis, that the level of borrowing in excess of £100 million is likely to be required.

So, to answer specifically Deputy de Lisle's concerns, we are not saying that it will be required; we are saying that it may be required and that is why it is and does need to be scaled back. P&R need to be constrained by Proposition 16 to £100 million rather than leaving it unamended, in which case there would be a £200 million authority. I will give way.

Deputy De Lisle: I also asked, sir, with regard to the £160 million of bond borrowed money, whether that is to be included and would there be a dedicated income stream from that. Perhaps, sir, that can be also elaborated on here.

2730 Thank you.

Deputy St Pier: Sir, yes, I was going to come on to that, the fact is that the current plan does not make provision for the capital repayment of the extant bond on indeed, as I understand it, any potential future borrowing. This States has made the decision to decouple the requirement for income streams in relation to the current bond and indeed the ring fencing of funds in the bond reserve to enable the repayment of the reserve has also been removed by this States.

Now that we have accepted as the *status quo* but those were not decisions which I personally supported at the time but that is a decision of the States and we are not seeking to change that, it remains the current position and these Propositions do not change that position either. So, I think we are, to give Deputy de Lisle reassurance this set of Propositions does not make us any worse off that we currently are. Now that may not be a place that leaves him very comfortable but we are no worse off that we currently are and we are better off in the sense that the authority for P&R's future borrowing would be capped at £100 million rather than £200 million and hopefully that gives him some reassurance an encouragement to support this amendment.

Sir, the next thing perhaps to turn to is the heat and light around Proposition 17 and the position in relation to pension holiday contributions. I think the first point to note as Deputy Soulsby touched on is the significant deterioration between the 31st December 2020 when we were told we had £102 million surplus and the position at 31st August when we are told that we now have a deficient of £194 million. That is a turnaround of £296 million that is the best part of 20% of the entire value of the fund which is considerably greater than the movement in the market over that period. I think some questions do need to be considered in relation to how on earth that has happened.

But specifically I would like to start with the advice that we were given by Treasury in relation to the impact of GST. So, I am going to read the States' Treasurer's advice in full:

I just wanted to come back to you on the impact of a GST on the pension fund having now heard back from the actuaries. Basically, there would be an in year impact, again Deputy Matthews referred to this, on the fund in the year of introduction when inflation is higher. If GST led to inflation rising by an additional 3.5%, which is the assumption that we are using, and assuming that the additional increase in inflation fully flowed through to salaries and assuming the revaluation caps did not apply, then the introduction of GST would cause a funding strain of around £50 million, i.e. 3.5% of the funds past service liabilities measured at the 31st December 2020 valuation. There would be no impact on the future service contribution rate as we would not expect there to be a long term impact on inflation. The impact would be a one off deterioration to the fund level of the fund of about £50 million against what might otherwise have happened.???

Now Deputy Murray referred to, he used the word defunding. He said that this amendment would defund the 5,000 participants in the scheme and indeed the deferred pensioners in the scheme and so on, 10,000 or 11,000 in total. I mean to use the word defund, sir, is emotive. The fact is those individual's pensions will be paid and there is no suggestion that any kind of contribution holiday would in any way threaten that.

The point is that if Members choose to go down the GST route there will be, as I have now read and been advised by the actuaries, a £50 million funding strain on the fund and that diminution in value of the fund, if you like, we get nothing in return for that and that is insignificant. P&R have said in essence that is an impact which is really of no great consequence in the context of the fund

2765 at the size it is. Yet suddenly £76 million which we might use to redirect to invest in our capital programme suddenly is a very, very significant number and that, I think, is an illogical and unsustainable position.

Obviously we can all see the benefit of the advice of the actuaries and Members will make their decision. It may well be that if this amendment were to be successful an amendment could appear 2770 which deals with Proposition 17 to tie it into the Public Service Pension Scheme Rules to ensure the appropriate consultation and so on. But I think the key point is that Proposition 17 stands on its own and can be voted for or down on its own.

The idea, as Deputy Ferbrache – I am not giving way – has suggested that this blows a hole in the numbers for Deputy Soulsby and I in our calculations, again, misunderstands the purpose of 2775 this amendment which is about recognising the smoothing, which is needed in relation to the capital programme and the very fact that we do not need, as Deputy Kazantseva-Miller said in her speech, all of the funding up front and therefore that is why it continues to be manageable.

Deputy Inder also asked about the position of well what is it we were asking in relation to Treasury staff and again I will read.

2780 **Deputy Inder:** Point of correction, sir.

The Bailiff: Point of correction, Deputy Inder.

2785 **Deputy Inder:** I did not ask Deputy St Pier anything, I asked Deputy Soulsby to respond because I thought she would be summing up.

Deputy St Pier: Sir, Deputy Inder did indeed ask Deputy Soulsby and I will reply. So the States' Treasurer responded to us, 'We have obviously respected your request to keep this work 2790 confidential to you.' And as Deputy Trott has said that is entirely appropriate. The Civil Service are there to serve all Members not merely their Committees and therefore they quite rightly respected our request to seek their assistance without P&R's involvement. 'Can I ask whether you would be happy for us to inform the Policy & Resources Committee that we are undertaking modelling for you without discussing the content?' And we responded that we did not wish the States' Treasurer 2795 to inform Policy & Resources that they were modelling for us without discussing the content.

Now the obvious question is why, frankly, we did not need P&R's political input at that stage, we were looking for the technical input from the staff on the numbers and instruction on what we were seeking to do. So I am being totally transparent in relation to that. I have responded directly to the question that Deputy Inder posed of Deputy Soulsby. Deputy Soulsby would give the same 2800 answer so hopefully that satisfies even Deputy Inder, sir.

So I think the point really is to emphasis, sir, that this is as Deputy Ferbrache was trying to make the point that this is not going to touch the sides. This was never presented, was never sought to be presented as the silver bullet. This is a stop gap; it is a staged practical approach because GST, at this stage, is politically undeliverable. It will be overturned before implementation on 1st January 2805 2026 if it is approved in Scenario 3, it will turn the next election into a single issue referendum. Anybody who stands on a platform of overturning GST will get returned and it will be overturned.

By which time we will have an additional £350 million of borrowings and, as Deputy Helyar has warned us, we will have no funding plan for its repayment. That is very risky, it is risky politically, more importantly, far more importantly than the political careers of any single Member of us, of 2810 this Assembly is it is highly risky for our community and for our public finances. And, as Deputy Leadbeater has said, we need to find ways to work through to a different approach and that is what this seeks to do and that also is why, as Deputy Soulsby said in her opening speech, the importance of the amendment which I will lay later with Deputy Vermeulen for a wholesale root and branch review of our current tax system.

2815 It has never been done, all the work that has been done going back to the Personal Tax, Pension and Benefits Review that I co-led in 2014 and 2015, the work which the current Policy & Resources

Committee have led, the scope has been limited, it has been intentionally limited and if we are to get the buy-in of the community as Deputy Leadbeater has said we are going to need to do that work but we need to buy time to do it and this amendment helps buy us time and therefore I strongly urge Members to support it and enable us to move on.

Thank you, sir.

The Bailiff: Deputy Brouard.

Deputy Brouard: Thank you, sir.

The first words I want to utter today are £1.87 and I will come back to that hopefully later in this speech or perhaps another one. Being popular is not why I am here, that has never been a particular goal, it does help certainly at election times I will grant you that, but I have changed my view over the years, I have changed my view, I have listened to the debates that have gone on about GST and raising Income Tax and it is quite strange really because in my days on P&R the idea of raising Income Tax you would be sent to a foreign country almost to actually even think about it so it is quite unusual for Deputy Trott to be possibly putting that forward, because that has always been my solution, it has always been put up Income Tax.

But GST with the mitigations, I think, goes a very, very long way. It broadens our tax base and with the mitigations the people in our society who are less well off will be well protected. So, I am quite happy on that particular front. The other issue I have with this particular proposal is, in particular, paid parking which you can see on number 6, so if that ever becomes a substantive I do not think I will be able to vote for that unless there is some good reason as to why middle Guernsey and low paid Guernsey should be taking most of the weight.

I am a little bit concerned on number 13 where we are asked to reprioritise the Capital Portfolio including those in flight. I mean that is almost like getting a really hungry fox and throwing it into the chicken run. So that means that Phase 1 of the Hospital where we have got builders on site is now going to be up for rescheduling or to go into some new expenditure envelope. That also means that all the other ones, the electronic patient's records, the digital infrastructure, IT transformation, Guernsey Registry IT system, I can list them all: there are 17 of them, and they are all in danger now.

So what sort of company wants to do business with us when we are even half way through some of the ones that are in flight and we are going to now review because that is what it says. Of the in flight projects those outlined in scenario C to fit the capital expenditure envelope outlined. We do not know what is going to be or what is going to be out.

The other part I would like to just touch on is with regard to the Hospital Modernisation Programme. We have here the mention that at least £50 million of the health reserve could be used. I would prefer not to use the health reserve but I will if I have to because the health reserve is really there to back up other day-to-day revenue rather than for capital expenditure and, of course, it will take a big chunk of the reserves away.

But my question to Deputy Soulsby is I cannot see that the Hospital carries on. I cannot see that the Hospital Modernisation carries on in Number 14. (*Interjection*) So just saying that we are going to ring fence £50 million of one of our reserves does not give me the green light to go ahead with the £120 million worth of Hospital modernisation which I need to get on with.

And I am a little bit surprised that both Deputy Soulsby and Deputy St Pier that they are very keen on health issues, they are very keen on asking questions about health and holding my feet and our Committees feet to the fire and here we have an opportunity for them to actually put their money where their beds are and actually get on and produce the modernisation that we so desperately need.

I am inclined to agree with my colleague, Deputy Prow. This is really political rather than financial because it is a sticking plaster. It does not solve the route problem that we have a lack of revenue coming in year in, year out. It just gives a stop gap to get us to the next election. Another word that has just come up, people say that we are taking money out of our Islanders, we take money out of Islanders pockets to give it back to them, we give them back roads, we give them back schools, we

give them back care. So it is not just a one way ticket, it just does not disappear into the coffers of Guernsey, it goes back to the people for the very services that they want and if we have to increase taxes in the future we are increasing them because we are going to be providing more services for the people of the Island and every time you say you want to make savings well that is fine, make savings out of efficiency, but making savings by withdrawing services that people desperately want or really need is not a saving in my view. It may be in a financial for an accountant that counts as a saving, but that does not count for me.

Deputy St Pier, when he was speaking, said this idea, this amendment basically will smooth the gap, we are smoothing the capital and also it will be a stop gap. Well that is fine but nearly the best part of £100 million of it in number 17 falls away. So where is the refilling of that and if this was also well thought out why did someone not contact Treasury and ask them whether or not they could take a funding holiday for a few years? This is just fluff, we have some good speeches and it makes it sound right but does not make it any good.

I am sorry, sir, I am going to have to reject this it just does not make sense, it does not give us the services that we need, it does not give us the sustainability. All it does is it gets us to the next election.

Thank you, sir.

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Thank you, sir.

I have great respect for Deputy Soulsby, Deputy St Pier and Deputy Kazantseva-Miller as well but I have to say, sir, when this amendment was published I was rather shocked because I think it demonstrates the worst kind of financial planning from a collection of States' Members that I would have expected far, far better from.

Sir, in preparing this speech the most difficult decision was where to start as there is so much to comment on and to put right. So maybe best start with the fact that there is simply no substance to this amendment. Somebody has described it as a sticking plaster; it is actually a very poor sticking plaster. If you want a sticking plaster then I think there are options which have been consulted with through meetings with various States' Members in Options 1 and 2.

Most of the elements set out as directed to the Policy & Resources Committee relate to measures which are already in the original Propositions of the core package or are being investigated currently by the Committee as clearly set out in the policy letter and as I said, if Members are attracted to certain elements but do not wish to vote for Scenario 3 then they should choose Scenarios 1 and 2. These scenarios have been developed in consultation with other States' Members and therefore they are properly worked out and resourced.

Sir, I wanted first of all to talk about some of the assumptions that are clearly behind this amendment. Sir, the options that are given in the policy letter are based on assumptions which are achievable and realistic. This amendment does not have achievable and realistic assumptions. It is, at best, hoping for the best, fingers crossed.

Assumptions are at the heart of all financial planning. No one can forecast what will happen in the future and therefore financial modelling is undertaken based on a series of assumptions and these assumptions are critical and need to be evidenced, informed, realistic and achievable. The Policy & Resources Committee has spent considerable time agreeing the assumptions to be used to drive the Funding & Investment Plan and they have all been clearly set out in the policy letter and then sensitised to show the impact of changes in assumptions.

Proposing that these assumptions should be different now will not change what actually happens in the future and certainly will not close the gap in public finances. The first assumption I draw people's attention to is population growth. Now some of this has already been mentioned before but I think it is worthwhile reemphasising it. This amendment says the States have a policy of +300 in terms of population growth that is not what this Assembly decided this time last year. What was decided was that, and I quote:

The States of Guernsey will assume, for the purpose of planning future infrastructure and service provision, that net migration will average up to [an increase of] ... 300 per year over the next thirty years. This assumption will support the capacity of the Island's workforce so that it remains a desirable and competitive jurisdiction, and will ensure that the Island can meet the needs of the economy with the necessary housing and infrastructure.

What policies do we have in place to deliver an increase of 300 per year, what infrastructure, what housing? Is it really realistic to add £4 million to the States' financial plans at the stroke of a pen just because it helps the proposers of this amendment balance the books? Sir, I would say to Members this is not real and it will not just happen.

2925 Yes, we have had high net migration over the last couple of years but go back 10 years and we are seeing actual net migration of -400. Yes, it will be beneficial to the States' finances if this best case assumption came to pass but should we be making best case assumptions and making them the basis of our long term planning, I do not believe so.

2930 The same can be said for the assumption on investment return. First of all the States do not have any policy on investment return although there is a target return set for our overall investment portfolio but when we look back at historic performance and think about a realistic and appropriate assumption actual results are much closer to the rate assumed in the policy letter of UK RPI plus 2.5%.

2935 Would it be great if we achieved to a 4% proposed by Deputy Soulsby and Deputy St Pier? Yes, of course. But should we plan for that to be the result? No, of course not, just playing around with numbers and seeing what makes everything balance out does not deliver financial sustainability to the Assembly. It is easy to add a few million here or there to the model, it is easy to say that P&R's target for annual revenue raising through the Budget should be increased by another £1 million or that a £4 million real terms reduction in spending should be delivered in 2025. It is easy to increase
2940 the estimate for the corporate tax that can be raised.

But I would say, sir, to Members of the States none of these numbers actually means anything and do not raise a single penny for the States. They are assumptions of fingers crossed and hope for the best. Financial modelling is so much more than numbers on a page. I want to turn now to capital investment.

2945 Deputy Soulsby amendment requires that we follow the fiscal framework principle regarding capital expenditure. Now the principle reads, and I quote:

[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 and 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% per year averaged over any eight year period.

Now I am delighted that Deputy Soulsby is now recommending that we adopt this policy. Back in January and February she was arguing that this number should be changed or lowered to balance the books. Of course, these policy average numbers are somewhat arbitrary. Do we know whether
2950 1.5% or 2% is what is required? The Fiscal Policy Panel has argued, knowledgeably and strongly, that the average should be closer to 3%, however, what everyone is missing is the critical wording which requires capital expenditure to be maintained at a level which reflects the need for long and medium term investment in infrastructure.

2955 We all know that for numerous reasons and without passing any blame there has been a woeful under investment in our capital infrastructure over several years, our assets are tired. (**A Member:** Hear, hear.) The fabric of our Island is becoming shabby and failing. We know that we have well developed projects and programmes with a price tag of over £600 million. That is just this terms portfolio. We know that there are schemes in the pipeline, like the Diary which has been mentioned, which will need funding next term. We know that capital investment requirements do not stand still,
2960 there will be others building up and the next States will have a portfolio of its own.

This amendment would see a total available for capital investment up to 2032 of just £833 million based on current assumptions. That is £16 million less than is available in Scenario 1, less than

Scenario 1 which does not provide sufficient funding to do either the school or the Hospital project or to deal with inert waste. Is that really what is required now from us?

Deputy Soulsby has made much in her amendment of complying with States' policies but her proposals on capital expenditure will not comply with the assumption of 2% of GDP per year averaged over any eight year period until 2029 because of the historic under investment. You cannot ignore what has not happened in the past. Now I will turn to the subject of the pension contribution holiday, but before I do that I will give way to Deputy Prow.

Deputy Prow: I thank Deputy Le Tocq for giving way, I am very grateful. When I spoke earlier I omitted to inform the Assembly that I am a member of the States' Pension and benefit from it, so I thank Deputy Le Tocq for giving way and allowing me to correct that error and I apologise to the Assembly for not mentioning it when I spoke.

Thank you, sir.

Deputy Le Tocq: The proposed pension contribution holiday that is included in number 17 of the Propositions in this amendment. Fiddling with assumptions and numbers in a model does not resolve any of our fiscal woes but maybe is at least harmless. Proposing that the States take a complete holiday from making any employer contributions to the public servants pension scheme for a three-year period is, however, totally reckless.

First of all the proposal is based on a scheme valuation at December 2020 as we have said. I am not giving way. *(Laughter)* Since that time the fund's assets have underperformed relative to the assumption on investment return using the valuation, that assumption being inflation plus 2.5% by the way and not 4% as Deputy Soulsby has proposed.

In additional inflation has been significantly higher than the long term assumption. This means that the latest estimate in that scheme as we have heard is 89% funding, a shortfall of £194 million. Now that has been mentioned before, what has not been mentioned is the States choose to take a pension holiday in the 1990's and Deputy Trott will know, amongst others here, that that was not a great success and the only reason we managed to get through the problems that that caused in the early part of this century was because in those days we had surpluses of up to £50 million. We are not talking about that anymore and certainly the practice, as we have seen from the advice given to us, is no longer recommended. It would be foolish.

But even then, even if such a holiday were possible while the scheme is in surplus it is certainly not now and such holiday is simply deferring the costs to another day, to another generation, to another group of people. That is not responsible financial planning. The scheme actuary has said, and I quote: 'It should be noted that taking a contribution holiday does not alter the cost of providing benefits it changes the timing of when contributions are paid but there would not be a saving to the taxpayer from taking the proposed contribution holiday, in fact it could be actually far worse.'

So these proposals would, at best, be kicking that £76 million down the road for a future States to deal with. Anyway, what is to say that it would still be £76 million at that point and where is a future States going to find that funding? Deputy St Pier made a lot of the case that they were making about £50 million the cost of inflation for this and that £76 million is not that much different from £56 million but choosing not to put contributions into the fund is very different from fluctuations in the fund value. There is an intentional difference in that and that is what causes another difficulty.

I want to move on, sir, to the mention of the cost of introducing GST and before I sit down I must address this assertion because it is completely flawed, made in the Rule 4(1) information saying that the proposals represent a significant saving of approximately £90 million compared to the F&IP Scenario 3 by avoiding during this phase the cost of introducing GST. It includes at Appendix 2 a table setting out these so called costs.

How can restructuring our tax base to make it more progressive and support the poorest in our society and those middle income earners be counted as a cost of GST? How can putting more

money in people's pockets be framed in this way? Is front loading inflation linked increases to benefits to support those on Income Support and pensioners really a cost of GST? And, as to the £50 million so called cost to the Public Service Pension Scheme what nonsense. These are movements against long-term assumptions in the fund all the time, some gains, some losses which are considered when the scheme is actuarially valued over three years.

Deputy Soulsby said in social media that this is a cost to the taxpayer as well. It is not and the proposer and seconder of this amendment know that to be the case. This is scaremongering of the highest order; it is not conducive to a well informed debate on something as serious as the financial health of our community. **(Two Members: Hear, hear.)**

In summary, I could spend time going through every element of this amendment and showing why I believe it is flawed, misleading or false but, sir, I will not take the Assembly's time in doing so. This amendment, as I have said, is reckless. It is a can kicking exercise dressed up as some sort of sticking plaster solution. Voting for this amendment would not resolve any of the serious issues that our community and this States are having to grapple with. It simply masks problems, it glosses over the deficit, plays around with certain numbers, plays fast and loose with public sector pensions and limps us into the next term.

Deputy St Pier said he was concerned if we voted today for Option 3 that GST would become the single issue of the next election. Sir, whether we do that or not it will be the issue at the next election, it does not make any difference because we need to resolve this problem and we need to take people with us and I believe we are beginning to do so and I believe we need to be courageous. As I have said many times before in this Assembly I am with William Burke in that as representatives of the people we owe it to our public to take seriously the matters and use our own wisdom when we look at all the evidence in front of us and not just be led by public opinion on all issues.

And, as I said earlier, sir, if Members do not want to vote for the sustainable package put forward by P&R then vote for one of the other solutions that is why we put them in there, there are three options there. **(A Member: Hear, hear.)** This amendment is effectively a cross your fingers and hope for the best version of Scenario 1. There are no new ideas there; no solutions and I urge Members to reject it.

The Bailiff: Deputy Taylor.

Deputy Taylor: Thank you, sir.

I do not have a huge amount to add, no surprises there. Something I just really want to pick up on is a comment made by the President of HSC, thankfully he is not in the diagnostics department and he stays political but he has referred to this as a sticking plaster and it is not solving the problem and I would be inclined to agree with him but I would probably extend that to say nothing that we are debating here is actually solving the problem. The problem is that we have an ageing population, increasing costs and we have had a declining birth rate for many years and there is nothing in any of the these proposals that really addresses that. That is the fundamental issue.

The other issue we have is that our principle industry pays an awful lot of money, which is a lovely problem to have but the problem is that it is very difficult to earn more money. The only way is down *(Interjection)* I will not go any further than that. So it is going to be very difficult to increase our GDP from the position we are in now. So, I do not see GST being a solution to that, it may be a well thought out proposition or a suggestion but ultimately it would remain a sticking plaster. So that is where I sit there.

So in giving support to this amendment I do not see it as the answer to all our solutions, I do not see it being a long-term solution. I am not under any illusion that it is going to change Guernsey's trajectory but that does not stop me lending my support to it. One of the biggest reasons I think, it is interesting following Deputy Le Tocq, he has pointed out that it is easy to play with numbers of a spreadsheet in the same way it is very easy to just add numbers or add projects onto a capital portfolio. Actually delivering on those projects that is the difficult part. It is easy to sit in here and vote for something but to actually see something through is difficult.

Now, I do not think that GST would be seen through, that is the difficult part of it, which is why I am unlikely to support it. But, equally on all these capital projects I just do not think all of those are deliverable either and so probably the biggest draw in this amendment is what would become Proposition 13. Now that is simply to direct the Policy & Resources Committee to prioritise housing and thereafter to reprioritise the capital portfolio.

Now, I can see that could cause issues and I very much take on board the point made by Deputy Brouard about reprioritising something that is in flight but I think the realist in me would hope that whoever was doing the reprioritisation process would take one look at the Hospital, see the workers up there busy scurrying around doing their jobs and say let's just leave that, we do not need to reprioritise that because it is already under way. But it is a valid point and I do accept that, so that part is not ideal, but the idea to reprioritise with housing being the priority.

Deputy Moakes has touched on this, housing I am pretty sure was a number one priority of the last Government Work Plan but what are we actually doing about it? That is the easy bit, isn't it, it is easy to stand in here and say that housing is the priority but we have not really done anything about it and so before I sit down I just want to draw attention to paragraph 17.8, sir, it is difficult to know how to refer to it, I cannot remember which annex it is in, but 17.8 it is on either page 70 or page 107 depending on how you are viewing it but I will read it out. Now this is referring to the deliverability of the capital prioritisation. It says that:

17.8 Both Portfolio 2 and Portfolio 3 represent a challenge with several large schemes planned to run concurrently, including both the TEP and OHM phase 2 at their full scope as well as ...

I will not read it all but there we are. The quantum of construction work planned and profiled for these is ambitious and would include scaling up the workforce in the construction industry and may place further demand on short to medium term local housing and accommodation. So, far from addressing our number one problem, which is the lack of housing, we are actually going to put more pressure on the housing market. Because, not only do all these big capital portfolio projects take away our ability to increase the amount of housing, which is supposed to be tripling I think it is, I look to Deputy Trott, going from approximately 100 a year up to 300 a year. There is no idea on how we are actually going to achieve that but somehow we are expected to achieve that whilst also up scaling the construction industry and finding somewhere for all these construction employees to live whilst we also accept that our planning for an extra 300 people in infrastructure terms is not actually like to come to fruition.

So, I find we are just in a really, really ridiculous situation but I can see certain bits in this amendment that could actually get somewhere, they are potentially deliverable, whereas the unamended Propositions I just do not believe they are. That is why I will support this and I will not take up anymore time from anyone else.

Thank you.

The Bailiff: Deputy Dudley-Owen.

Deputy Dudley-Owen: Thank you, sir.

I genuinely was not going to speak but Deputy Taylor has brought me to my feet because actually it is a narrative that has been long running and starting to build and the narrative is that the problem are the old people in our community. That the problem is that we have too many elderly folk in our community and they are the problem, they are expensive, they need healthcare that is a problem for us. That is not a problem for us at all. I do not think I need to give way.

The problem, as I see it, is that we simply do not have enough money coming in. (**A Member:** Hear, hear.) The household has changed, we no longer have lots of little children running around, the parents have grown older they have become grandparents, they have become great grandparents. We do not say our old folk are a burden lets biff them out, they are causing us extra expense. We look at our households and that is what we are doing here, so I really do ask that Members think about what they are saying because it is upon their shoulders that we are standing

here today (**A Member:** Hear, hear.) in a position of relative wealth, relative means and have had actually an exceptionally good 1980s, 1990s, 2000s and into this millennia.

We are in a privileged position by the very, very hard work that our grandparents put in post occupation to rebuild this Island with a GST, with borrowing so that we can sit here today and argue the minutiae of which tax proposal is better, which capital project deserves the attention, should it be taking care of ourselves when we are ill in the Hospital, should it be educating and investing in our young people for a good tomorrow, we are privileged in this Chamber. So, please never let it be defined that the problem in our community are the older generation.

Now one thing that I would like to say also is following on from what Deputy Brouard was saying in relation to the Hospital Modernisation project and I think that we have made a mistake because despite it not being in an in flight capital project, please Members be in no mistake that the Transforming Education Programme is in flight. The reorganisation of secondary and post-16 is an in-flight project.

So, in the same way that Deputy Brouard cannot understand how we would stop that project and reprioritise the in flight nature of the Phase 1 the Transforming Education Programme is also in flight with the reorganisation phase of the programme. This particular amendment leaves no capital spare for either of those essential projects to continue because if we do not have those projects continuing we cannot attract people to stay in the Island, we cannot attract people to come to the Island and so therefore our housing needs will reduce significantly.

It is a triumvirate need, there are three component parts to the jigsaw and as a triangular factors essential to the success of the community they all need to be supported and there are packages in the policy letter which support each of those. I will not be able to support the fairer alternative amendment, it has been obviously taken very seriously by the layers of the amendment and I comment their work, however, there are far too many gaps that have been highlighted by the Treasury team for me to be able to have confidence that there is any sustainability in the figures that have been put forward.

Thank you, sir.

The Bailiff: Deputy Trott.

Deputy Trott: Sir, I think the brief comments of Deputy Taylor a few moments ago pretty much summarise where I have been with regards the next few days of debate for some time. I do not believe this Assembly will support GST and therefore we run the risk of leaving here with absolutely nothing and that is a genuine concern. There is no doubt that there are aspects of the Deputy Soulsby, Deputy St Pier amendment that are quite unattractive Propositions, 17 is the perfect example. There are other elements as well. But the alternative is a potential dog's breakfast far in excess of the issues contained within that amendment as we are today.

Now a couple of points that Deputy Le Tocq made. He sort of ridiculed potential investment returns and I would like to make a couple of observations. In the annex on page 15 we are told that whilst these models have been developed there are some key assumptions. Year one we are told that the inflation rate projection is 5.5%; 2024, 3.5%; and 2025, 2.5%.

So in 2025, the year after next, which is remember still a year before GST would come in, we would be demanding of our investment managers 2.5% plus 4% which is 6.5%. Right now we could go out and invest in UK gilts and get a 10-year risk free return of 4.5%. Right now we could go out and invest in 30 year US Treasury's, again risk free, and get over 5%. So the truth is that in 2025 2.5% plus 4%, a 6.5% return is anything but modest for professional investment managers.

So I thought we would clear that up for starters. I thought we would then deal briefly with the issue about the investment performance within our core investment fund. The investment performance is baffling as Deputy St Pier said and it is baffling for two reasons; the first is we have an extremely low and laudable exposure to fixed interest instruments within the portfolio and I once remember my friend, Deputy Parkinson, reminding the Assembly that in yesteryear the exposure to bonds would be more or less equivalent to the average age of your pensioners.

So, in other words, not so long ago we would have had a portfolio that would have had say 60% exposure to bonds. Sir, that would have been catastrophic because as interest rates rise the value of bonds fall and a perfect example is, and I have said this many times in the past but I am very happy to say it again, the brilliant decision of Deputy St Pier's Treasury Department which did not involve me to borrow £335 million when he did or when we did because the States had to back it, was a stroke of absolute genius because today if the mechanism within the bond allowed we could buy it back for about 70% of what we borrowed. So the £335 million today, under slightly different circumstances admittedly, we could have bought back for a couple of hundred million. That is a very impressive game.

But of course conversely the worst possible time to borrow is right now because we really are at the top of the economic cycle. That said I have got to be fair, the market is predicting that interest rates will remain at somewhere around 4% for the next few years before normalising or normalising in relation to the last 15 years. But more on borrowing costs a little later on.

One thing though, this is a bit heavy so I will not go on for too long, accurate but heavy nonetheless. I did have to laugh at my friend Deputy Roffey earlier, he does make me laugh from time to time (*Laughter*) but usually intentionally rather than unintentionally because he said we must not go anywhere near a tourist tax because Jersey would say, 'Come here for your holiday because Guernsey has got a tourist tax'. Well how about us saying come here on your holiday because Jersey has a goods and services tax at 5%. I know what would impress me more if I was a tourist and it certainly would not be the imposition of £10 at the airport or when I came ashore on a cruise ship. That will do for now, sir.

Thank you very much.

The Bailiff: As I do not see any other Member rising to speak on Amendment 4, I will turn to Deputy Helyar as the Vice President to speak to the amendment please, if he wishes to.

Deputy Helyar: Thank you, sir.

I do not have very much to say because I think most people have already fired the bullets I was expecting to fire myself. Just a couple of points to clarify some comments and queries that have been made. I understand, and this is straight from Treasury so I was not aware of it, but the credit has never lapsed apparently.

There were comments at the start about film names and so on and I shall not use them because it would be crass to do so but I did think of a few during the debate. One of the things that we have been talking about today, and I do need to give some assurances because P&R clearly is the employer and we are responsible for the States' Pension Scheme. We have 5,000 pensioners, we have more than 5,000 employees, and in total it is about 11,500 people who are almost entirely reliant for their financial security in the future on the basis of the scheme. Some of them are in here working today.

We have had a lot of concern expressed to us; we met with the Pensions Consultative Committee yesterday. A lot of concern about what was seen to be a raid on pensions. Now that is probably not an accurate way to put it, but certain that is the way it was put to us. It has been described as unethical and I just need to put on records, sir, for the proposes of this debate that the Policy & Resources Committee fully understands our legal obligations to all of our staff and our pensioners and we will respect that in all circumstances.

It is not possible under a States' Resolution which we passed only last August for us to take a holiday on the scheme because we put in, if you remember, some tram lines of intervention around the scheme and that said if it is above 90% but below 120% funded we will not touch it. Below 90%, if when we get to the next valuation which is coming up at the end of the year, it remains at 89% there will be a need to pay more in. Not take a holiday, but pay more. That may recover and I appreciate the comments that have been made about investments and so on. We will be able to catch up with that next week. I understand the SIB's report is ready. Unfortunately Treasury staff have been very tied up with this debate as you might expect, they have been extremely busy.

3220 It is not a £50 million hit, it is a £50 million hit to the fund and the way that is dealt with is over a period, not exceeding the average future working life time of an active member. That is the way schemes work, they work on the basis of the longevity profile, the age of the people working, how long they are likely to be working for and their likely salaries when they retire. That is what the actuary works around.

3225 So you do not have to write a cheque for £50 million, it is done over a 40-year to 50-year period and over that time our GST generates a percentage on goods as they increase in price which goes up but will tie in with inflation so it becomes inflation linked and the amount that is owned on this hit disappears, it deflates because it is a fixed amount that does not go up every year.

3230 So some of those comments are not necessarily, in my view, accurate or reflective of the independent as well, because that work has not been used yet, the actuary is an independent person, it is not a Government, Treasury official it is an independent company which does this work, that gives us the advice that we rely on and that we then negotiate with the trade unions and representatives of pensioners.

3235 Whilst I am on that point Deputy Matthews mentioned, 'Why is it not possible to sit down with all of the 14 trade unions and negotiate a cut?' Well, we are still litigating the last time, we are still in court litigating the last time there was a rearrangement to the pension scheme and it is costing hundreds of thousands of pounds just to litigate that with 50 employees.

No, I am not giving way, no.

3240 **Deputy Matthews:** Point of correction, sir.

The Bailiff: Point of correction, Deputy Matthews.

3245 **Deputy Matthews:** In no way did I suggest to impose a cut. I talked about a negotiated settlement where you would be able to talk about and negotiate the arrangements with the unions involved.

Thank you, sir.

3250 **The Bailiff:** But, with the greatest of respect again, that was not what Deputy Helyar was saying. He was saying about responding to the negotiation and saying where the States currently find themselves, so that was not a valid point of correction.

Deputy Helyar: Thank you, sir.

3255 So it is not as easy as it might first appear, at least on the tin. Now there have been a couple of mentions of the Savings Committee and the Tax Committee, we have been working away diligently on the Tax Committee as Deputy Trott will be aware, Deputy Moakes is also on that Committee and Mr Nialls who is an Independent States' Member from Economic Development. I have to say we have not found a huge amount of cash down the back of the sofa, we are still turning the stones, we are still looking diligently at those opportunities but they run into the hundreds of thousands of pounds. They do not run into the hundreds of millions, they are not going to solve the problem; they do not represent a silver bullet. We will bring them back and report on them in due course and as several Deputies have said the Cost Committee is doing the same thing and they are doing it as diligently as they possibly can.

3265 I have done quite a lot of insolvency work in the past, in fact, I think 15 or 16 years ago downstairs I made an application for a compulsory liquidation which is probably still the record I think, the Carlisle Capital Corporation, (**A Member:** Oh, yes.) it was £21.7 billion dollars insolvent when I made the application, I think that is still a record. So I am really quite familiar with insolvency matters and they way that companies behave when they are about to go bust and big corporations measure the credit worthiness of their counterparties by how quickly they pay their bills. Big companies measure it, they work out how long and in fact it is often a negotiation between big counterparties,

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manufacturers and so on and people that are distributors, they measure, they ask for terms, we would like 90 days, we would like 120 days.

Taking a payment holiday on the pension scheme, if we could do it, I would think it would be an absolutely fantastic idea but we cannot and not paying the milkman and stretching out your cash flow, which is what this represents is not an appropriate way for a Government to behave in these sorts of circumstances. What it represents is casting about looking, as I said, for cash down the back of the sofa to solve a problem which is permanent, embedded and coming down the tracks at us really quickly. This amendment is not a solution to these problems. We have given you options; there are options which do not involve a GST if you are not in favour of that which represents what Members have asked us to do. I do not believe that this amendment is a solution to our problems and I would ask Members not to support it.

Thank you.

The Bailiff: Finally, Deputy Soulsby as the Proposer of Amendment 4 to reply to the debate please.

Deputy Soulsby: Thank you, sir.

And I thank Members for the debate and I think we have aired quite a few points. I do thank Deputy Roffey actually up front, he did say how mature the proposer, seconder and those involved here have undertaken this amendment in good faith and that is absolutely the case. It has been unfortunate hearing some playing the woman and not the ball, I do not think that helped and was unnecessary. Really our focus is on trying to come up with the solution for the position we are in now.

I will not cover absolutely every point and I think some points have been covered by Deputy Kazantseva-Miller and Deputy St Pier and I think certainly Deputy Mahoney's points were pretty much covered certainly around the net migration figure which actually states under the proposals there is the actual policy we have that we are under Resolution to follow that and that net migration figure into account. I will deal with pensions later.

Now borrowing and I think Deputy St Pier has covered this off in response to Deputy de Lisle about borrowing. No, it is not included in the chart because we do not think it is absolutely necessary but we are putting it in there. We thought well we want to reduce the ability to borrow from P&R from £200 million to £100 million. It might be there as a back-up but it is not something we are planning on, so that is why figures were not included in the chart and Deputy Kazantseva-Miller covered that quite well.

There has been a lot of talk about the backlog and Deputy Roffey, Deputy Moakes amongst others, but yes I totally agree we have a backlog but just because there is a backlog does not mean we can deal with it all at once. I mean we have a lot of stuff that we want to do and we have got to look practically and that is the sort of person I am, I do look at things practically, it is my background and I think to come up with the solutions to problems are to think practically.

You might want to be able to build 1,000 houses over the next three years but we have got to be able to think about how we do that in the context of everything else we are doing. We cannot do it all at once. And, it can be boring I mean we want to do this, we want a school, we want a hospital, we want houses, we want bridges, we want cliffs to be restored, we want everything and that is fine but you cannot have everything. It is like having your child at Christmas saying I want, I want a Play Station, I want an X Box, I want everything else that you can have and they cannot have it all at once. We just cannot have the capability of doing that whether we have got all the money or not.

In fact, when it comes to the in-flight capital elements of it, it is actually meant to say half of that are IT projects and I have had a concern about that for some time and when I was on P&R as I say we have got far too many IT projects that we are trying to do at once. Not only is it difficult finding the people to do it, it is actually having the people within the States who are able to manage those projects and being able to oversee and make sure that they are working to plan and I am pretty

sure that we will find that that has been a problem to date. We have so many IT projects how on earth can we manage them all and we have got the point about the SAT roadmap, I mean how can we deal with that when we have still got a load of other IT projects that we are dealing with at the same time.

Deputy Inder asked me about why we told the States' Treasurer not to tell the Committee, I will just refer him to what Deputy St Pier said. (*Laughter*) But I would say that Deputy Inder, he has a really important position in this States' he has been given the role of President of Economic Development and we are only just looking at tax now. That is only one part of the whole element of growing the economy and having the taxes so we can actually spend the money that we want to spend. But I have heard nothing, apart from people not being able to sell their fish to restaurants what have we got that has really helped to grow the economy over the last few years? And so I think that while Deputy Inder likes to find fault in others he really needs to look at what he can do to really help this Island and that is in the remit of his Committee which is to help grow the economy. (*Interjection*)

Deputy Gollop called it can kicking but I am afraid that supporting any of the three scenarios of P&R would result in can kicking. I cannot see this States supporting GST at this moment; I cannot see them supporting all that borrowing. This is the one amendment, perhaps Deputy Trott's as well, which actually provides a solution to the problem we are in right now.

Deputy Murray talked about consultation and he said that they had done a lot of consultation with P&R. Well I agree they definitely, and I will give credit to the Committee, probably it is too late, but I give credit to the Committee of going out to various parties and talking about what they are proposing. But that in terms of the principles of good governance is not consultation, that is telling people what you are going to do and I think that is the problem that we have had.

We are also talking about well what consultation have you done? Well I did actually, one of the people I have spoken to and discussed what we could do was one of the people who heads the Guernsey Retail Group and I had an excellent discussion with her and I was really impressed when I saw what that group is doing and encouraging retail and making the Town far more vibrant and really hats off to what that group has done it has been really reinvigorated over the last few years. (*Interjection*) So I do thank them for that, the work that they have done.

But the one thing I also referenced was the importance of what we can do to increase participation in the economy in getting more people into work and removing the barriers. So, that did lead to one of the reasons why the amendment that I laid against the up-rating report and that was quite encapsulated into that and also into the child care amendment that Deputy Kazantseva-Miller and I hope to be laying later this week.

So yes, we have consulted and listened and that did determine different decisions that we made and also why GST was not the right thing to do right now. Now there has been a lot of focus on the revenue raising measures and I think Deputy Ferbrache totted stuff up which incidentally did show that it was raising more money than scenario 3 but that is not the whole point, it is not about how much have we just raised, is it enough? This is about looking at the capital expenditure side of thing as well and putting something together that is practical and achievable. So to spend and get it done and not spend all at once and take a lot of risk I am hoping it is all achieved.

Now Deputy Kazantseva-Miller is on the Spending Committee and so I have got a lot of hope that some good stuff will come out of that but it is more than just seeking a lot of information from various members of the public and officers in the States which I am sure has come up with some really good and helpful points. The terms of reference which you put into that were far more involved and they included things like looking at a universal offer provision for all the States and where that might be applicable. So it is more nuance from that and that is why we did not say have a look of this and report by the end of the year, because we know that is going to take quite a bit of time but it is important and that is why it is important to do things and do them well and that was the point of that process.

I think, talking about capital again, I forget I think it was Deputy Taylor again who talked about well if we are going to do everything all at once where are we going to get all the people, where

3375 are we going to put all these people and house them to be able to build all the stuff that we think we can do all at once.

We heard a lot about, 'Oh, it is just a cut and paste from the Funding & Investment Plan,' but the reality is the Funding & Investment Plan has cut and pasted from the fairer alternative which is quite funny to hear Deputy Prow, Deputy Inder and Deputy Moakes saying these have been done
3380 but they would not have been done if we had not had the fairer alternative in the first place.

Now I will probably just reference pension schemes and Deputy Ferbrache, Deputy Helyar and Deputy Le Tocq really tried to go to town a bit on this and telling us how silly we were in doing what we are doing. Now I might just misquote Queen Elizabeth I here, that is not something I do readily but Members might know her famous speech at Tilbury Docks to the troops where she said,
3385 and I am going to misquote her here, so I will say:

I know I have the body but of a weak and feeble woman; but I have the heart and stomach of a ...

... chartered accountant! (*Laughter*)

And I, a chartered accountant, who worked in the pension schemes for a good many years administering them and settling them, I have been dealing with Deputy St Pier at some point and I have spoken at conferences in Europe about what I have done in terms of pension schemes. So I
3390 just thought, as an aside, I have some knowledge in this area. I am not saying I am the most knowledgeable in this room, there may be others and I am absolutely not saying that and I am not an actuary either, but I do know something about pension schemes and some really quite complex ones actually, far more complex than we are talking about with the States' Pension Scheme. I absolutely understand the implications of a pension holiday. I absolutely understand the obligations
3395 of the Trustee, although there is not the term Trustee in this scheme which is quite interesting but I do know and understand the obligations of the Trustee because I have actually acted as a Trustee and I am taking that role and position seriously.

So we put that Proposition there not for any, 'Look, there is a load of dosh let us raid it', we understand the implications of it but we also understand the implications of a pension fund scheme
3400 is all about the long term and we know that it is absolutely achievable to take that pension holiday and this is where I really struggle with P&R, they seem to have got themselves in a knot here where it is no good taking a so called pension holiday, but it is alright taking £50 million of impact through GST. They are both one off impacts on to that fund which, as I say, is for the long term.

Deputy Le Tissier talked about visitor levy or tourist levy; I think that probably is semantics in the whole scheme of things. I think Members understand what is meant by that. Now Deputy Ferbrache
3405 again stated well there is not much in here, it is all stuff that is being done. I guess this amendment is a sequel in itself I suppose. It is a sequel to what we debated in February again when we covered off many other revenue raising measures and we have heard today how many Members of P&R have said well this is being done and that is being done. Yes, that is all being done because of the
3410 fairer alternative and we are really pleased that they are doing it and I look forward to seeing what the implications and what the results of that are.

Reference to the Policy Panel, again, I think we have had others talk about this 3% and I was a bit confused about what came out of the panel. There is the old saying that you ask two economists the answer to something and you get three responses, but we do have three economists on this so
3415 perhaps and they have come up with the same decision which is interesting but I do question, as others have, and I know it was Deputy Trott I think that most recently about just because it is the average in the OECD why does that make it right. I mean we do not require the same level of expenditure, we do not have trains, we do not have motorways, nuclear power stations and actually we go on about spending and spending lots of money but it is not about how much we spend it is
3420 what we spend it on that matters. What are the things that are really going to help this Island, what will benefit the community and what will help grow the economy?

We have not had that debate; we have not had that discussion about what spending is actually about. You just cannot spend it; it is about spending on the right things. Deputy Ferbrache, again, talked about it does not touch the sides but he has already shown that what we are doing does

3425 more than Scenario 1. We have scenario 1, do nothing, scenario 2 spend and borrow and then scenario 3 spend and borrow before you have got an income stream. So I think that is the issue that we here and Deputy Falla absolutely nailed it, it is about doing the right thing at the right time.

Now Deputy Dyke makes a good point about the timing of the debate, I mean in some ways it is too early, but actually the reality of it is I think that what we are having to debate now has come far too late. I dealt with the questions he had on percentages and hope that has clarified the situation for him there.

3430 So what we are saying is, these things can be done but we are trying to say how do we do it practically and I think Deputy Kazantseva-Miller covered that point off really, really well. I thank Deputy Leadbeater for his really quite poetic speech and it really did give pause for thought there.

3435 Now Deputy Brouard talks about being popular and I am sure he is probably referencing GST but if just because something is unpopular it does not make it right and I think some people have been getting their knickers in a twist on that one and saying we are right you know, it is unpopular but it is right, but it does not necessarily just because it is not unpopular it does not make it the right thing to do.

3440 He also talked about paid parking and transport taxes and I think one thing he did reference but I think he is going to find himself in a very difficult position because all the scenarios within the core of P&R's proposals include transport taxes. So, if it is not paid parking I do not know what it will be but that is the case. So he will struggle to support anything, so I will be interested to see how he does vote in the end.

3445 Deputy Le Tocq, I think I have probably answered much of what he said, it was absolutely focused on the pension scheme and as I say we are quite happy and understand what we are doing. But we do understand if Members do not and are not comfortable with that, if they feel that they cannot support that that element of the amendment, they are quite happy it is not an issue if they do want to vote against it when we come to the substantive Propositions. The whole amendment does not fail on that one Proposition.

3450 I did think long and hard about doing anything actually for today but I thought if I could just vote it all out and be done with it but then I did think it was probably a bit of a cowards way out. The problem is P&R have run out of road, their desired scenario just is not achievable. Whether or not GST is the answer to all our problems it cannot be done in time and we could be borrowing millions of pounds before it is in place and that puts us at a huge and unacceptable risk which I am not willing to take.

3455 A balanced staged approach may seem dull compared to everything everywhere all at once, that is a film incidentally I could not work out, it was very entertaining but it did not make much sense to me and nor do the P&R scenarios. What we need is a common sense practical approach will get things done. Big words do not action make.

3460 Going back to what others stated, one outstanding Proposition from the fairer alternative is to create a vision and we really are crying out for that vision. This whole debate demonstrates a complete void in what we want for our community and what the community wants from us quite frankly. We certainly need it before we bolt on a major new tax to our existing system.

3465 Sir, we have here a practical pragmatic approach that takes us forward in a way the policy letter does not and will not, it will get things done. It will result in capital expenditure getting done in a steady achievable way. Confident at the end of this Members will not support GST and will not support borrowing the only option really is this amendment or perhaps Deputy Trott's. So, sir, if Members want to see a positive change from the stagnation we face now I ask them to support this amendment.

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The Bailiff: Well, Members of the States, we have got to vote on Amendment 4 which is proposed by Deputy Soulsby, seconded by Deputy St Pier, the effect of which would be to change the set of Propositions completely. Deputy Gabriel.

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Deputy Gabriel: Under Rule 17(15), sir, I also need to make a declaration that I am a member of the Public Servants Pension Scheme.

The Bailiff: Deputy Brouard.

Deputy Brouard: I also have some policies in the Public Sector Scheme, sir. *(Laughter)*

The Bailiff: Deputy Parkinson.

Deputy Parkinson: Sir, I am a member of the former States Members' Pension Scheme.

The Bailiff: Yes and Deputy Ferbrache is. Some people have been round a long time. Deputy Roffey has been around the longest.

Deputy Ferbrache: Yes, *(Laughter)* same declaration.

The Bailiff: On the amendment I do not think it is strictly necessary to make all these declarations, it would only be if the substantive Propositions are replaced and we get a vote in relation to them. Deputy Inder.

Deputy Inder: I have a boarding permit times four, sir.

The Bailiff: You have got a boarding permit, are you looking for some people to come and stay, is that it? **(A Member:** Hear, hear.) I will now, if we are ready, fastest finger first, ask the Greffier to open the voting on Amendment 4.

There was a recorded vote.

Amendment 4

Not carried – Pour 16, Contre 24, Ne vote pas 0, Did not vote 0, Absent 0

POUR	CONTRE	NE VOTE PAS	DID NOT VOTE	ABSENT
Burford, Yvonne	Aldwell, Sue	None	None	None
Bury, Tina	Blin, Chris			
Cameron, Andy	Brouard, Al			
De Sausmarez, Lindsay	De Lisle, David			
Fairclough, Simon	Dudley-Owen, Andrea			
Falla, Steve	Dyke, John			
Gabriel, Adrian	Ferbrache, Peter			
Kazantseva-Miller, Sasha	Gollop, John			
Leadbeater, Marc	Haskins, Sam			
Matthews, Aidan	Helyar, Mark			
Parkinson, Charles	Inder, Neil			
Queripel, Lester	Le Tissier, Chris			
Soulsby, Heidi	Le Tocq, Jonathan			
St Pier, Gavin	Mahoney, David			
Taylor, Andrew	McKenna, Liam			
Trott, Lyndon	Meerveld, Carl			
	Moakes, Nick			
	Murray, Bob			
	Oliver, Victoria			
	Prow, Robert			
	Roberts, Steve			
	Roffey, Peter			

Snowdon, Alexander
Vermeulen, Simon

The Bailiff: The voting on Amendment 4 proposed by Deputy Soulsby, seconded by Deputy St Pier is that there voted in favour 16 Members, against 24 Members, no Member abstained, so those were all the votes cast and therefore I will declare it lost.

3510

Amendment 1

To delete all Propositions and replace with the following:-

1. To agree that the financial position of the States requires urgent attention and that, as a bare minimum, the following core measures should be agreed which will temporarily stabilise the position:-

a. implementing the package of core cost reduction targets and revenue raising measures set out in Appendix 1;

b. maintaining the current level of the General Revenue Reserve in this term;

c. investing up to £95m to complete the 'in flight' capital schemes as set out in Appendix 1; and

d. investing in the policy, strategies and plans agreed as part of the Government Work Plan over the remainder of this term of government;

and to authorise the Policy & Resources Committee to implement these agreed measures.

AND IF PROPOSITION 1 IS APPROVED:-

2. To agree that the States shall address the current and future expected structural deficit by way of the following measures:-

a. implementing the full progressive tax and benefits package as proposed to the States in early 2023 (see item 5, entitled "The Tax Review: Phase 2, P.2022/112" on Billet d'État No. III of 2023 P.2022/112) and set out in Appendix 1, in order to put the finances of the States into a sustainable 2 position thereby being able to afford future capital investment, address the deficit and begin to rebuild reserves;

b. agreeing that the Policy & Resources Committee should work with Principal Committees to develop a plan for the use of ring fenced funds of £2.5m per annum for social and community benefit, as set out in Paragraph 8.2 of this policy letter;

and to authorise the Policy & Resources Committee to implement these agreed measures.

OR, IF PROPOSITION 1 IS APPROVED BUT PROPOSITION 2 IS NOT APPROVED

3. To direct the Policy & Resources Committee to return to the States by September 2026 with proposals for addressing the deficit and putting the finances of the States into a sustainable position.

4. To agree that the States shall address historical chronic under-investment in public infrastructure by:-

a. adopting Portfolio 3 estimated at a total of £520m (including the in-flight schemes), as set out in Appendix 1, as the agreed major capital investment portfolio for the remainder of this term;

b. on the basis that funding available is insufficient to fund Portfolio 3, agreeing therefore that new borrowing should be taken out to support the funding of major capital expenditure; and

c. increasing the authority granted to the Policy & Resources Committee in Resolution 161 on item 1, entitled "Government Work Plan 2021-2025, 2021/71", of Billet d'État No. XV dated 21st June 2021, to enable the Committee to take out new borrowing to a maximum of £350m;

and to authorise the Policy & Resources Committee to implement these agreed measures.

OR, IF PROPOSITION 4 IS NOT APPROVED:-

5. To agree that the States shall address historical chronic under-investment in public infrastructure by:-

a. adopting Portfolio 2 estimated at £440m (including the in-flight schemes), as set out in Appendix 1, as the agreed major capital investment portfolio for the remainder of this term; 1 This Resolution authorised the Policy & Resources Committee to take out new external borrowing up to a total

maximum of £200million for a period of up to 40 years, on such terms and conditions as the Committee deem appropriate. 3

b. on the basis that funding available is insufficient to fund Portfolio 2, agreeing therefore that new borrowing should be taken out to support the funding of capital expenditure and that the balance of the Health Service Reserve should be used to fund the Our Hospital Modernisation Programme; and

c. reaffirming the authority granted to the Policy & Resources Committee in Resolution 16 on item 1, entitled "Government Work Plan 2021-2025, 2021/71", of Billet d'État No. XV dated 21st June 2021, to take out new borrowing to a maximum of £200m;

and to authorise the Policy & Resources Committee to implement these agreed measures.

OR IF BOTH PROPOSITIONS 4 AND 5 ARE NOT APPROVED:-

6. To agree that the States shall:-

a. adopt Portfolio 1 capped at £190m (including the in-flight schemes), as set out in Appendix 1, as the agreed capital investment portfolio for the remainder of this term;

b. limit major capital expenditure to funds of £190m available from within existing reserves; and

c. rescind Resolution 16 on item 1, entitled "Government Work Plan 2021-2025, 2021/71", of Billet d'État No XV dated 21st June 2021 authorising the Policy & Resources Committee to take out new borrowing to a maximum of £200m;

and to authorise the Policy & Resources Committee to implement these agreed measures.

AND, ONLY IF PROPOSITION 2 IS APPROVED TO AGREE EITHER:

7. As part of the package of progressive measures as set out in Scenario 3 in Appendix 1, to introduce a broad-based Goods and Services Tax at a rate of 5%, as laid out in Section 8 of this policy letter, with minimal exemptions and zero rating.

OR:

8. As part of the package of progressive measures as set out in Scenario 3 in Appendix 1, to introduce a broad-based Goods and Services Tax at a rate of 6% with minimal exemptions and zero rating excepting that a zero rate should be applied to food and non-alcoholic drink products, as laid out in Section 8 of this policy letter.

AND IF PROPOSITION 7 OR 8 IS APPROVED

9. To agree that the legislation implementing the introduction of Goods and Services Tax shall come into force on 1 January 2026 and remain in force until 31 December 2032, 4 unless extended for such periods as the States may by Resolution determine following recommendations by the Policy & Resources Committee.

AND

10. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

The Bailiff: We are now going to turn to Amendment 1 which is proposed by Deputy Roffey. If you would like to move that amendment this is your opportunity.

Deputy Roffey: Thank you, sir.

3515 I will start by saying it is £3.47 and I may come back to that later. *(Laughter)* I do not know what on earth I am talking about but it is a rhetorical ploy that seems to work for Deputy Brouard.

Being more serious, sir, I think Members will be well aware that I am personally convinced about the need to raise a lot more revenue to meet the challenges facing our society over the years ahead. Others may disagree, possibly over whether that revenue needs raising at all or over the required
3520 quantum or over the best way to raise those revenues and we are going to have that debate in relation to the meat of these proposals and in relation to some of the other amendments but uniquely this is not what this particular amendment is about. It is not about any of those things. It does not look to change anything, it simply looks to disaggregate and unbundle some of the matters we are being asked to decide upon today. It does that in order to make it easier for all of
3525 us to vote for what we really want and to make it more likely that we will see some sort of outcome

I think there are five main themes to the decisions we are being asked to take during this debate: (1) how much do we want to raise in public revenues; (2) how do we want to raise them; (3) how much capital expenditure do we want to see going forward; (4) exactly what capital projects do we want to see funded next; and (5) how much are we willing to borrow to carry out those capital works.

Now I do not deny that some of those things are related to and dependent to some of the others to a lesser or greater extent. For example, some may only be willing to borrow if they know that our revenues going forward will be sufficient to service and repay that national debt. Others may be willing to spend big on one of the possible capital programmes but not on another that they do not like so much, or to borrow to realise their own personal wish list of projects but not somebody else's.

But frankly this inter-relationship is, or should be, really quite weak. Most of the decisions today should stand or fall on their own merits. I do not believe they should be bundled into neat little packages or scenarios where you have to accept or reject as a job lot what are basically five separate decisions; how much has to be raised, how we raise it, how much we borrow, how much we spend on our infrastructure and what capital works to do first.

Not only is the bundling of those very different decisions into inseparable sets of choices, wrong in principle but I think it is also quite dangerous and I say that because probably the biggest danger we face here today and in the days ahead is the replication of what happened earlier in this year with the Assembly effectively making no decision at all. What will that do to our reputation? I know some believe it cannot get any lower but it can, believe you me.

But by offering up no ways forward except these three take-it-all-or-take-nothing packages I think the policy letter increases the chances of exactly that no decision scenario happening. Why? Because if a Member is opposed to any part of that package then they are likely to vote against it, we all know that is what tends to happen in this Assembly.

So if they disagree with the amount to be raised they will vote against it, or the amount to be borrowed under that scenario they will vote against it, or the capital programme suggested under that scenario then they will vote against it. If they disagree with any part of the package they are unlikely to support it.

As a result the chances of the disaster of a no outcome result are increased considerably and that is so unnecessary because it is entirely logical prudent and consistent for a Member to support some elements of one or more of the scenarios in front of us but not other elements and I give you a hypothetical illustration, there could be lots of different ones depending on where you are coming from but this is one.

Deputy X has become convinced that we do need to raise the sort of revenues being suggested under P&R's scenario 3. Not only that but very reluctantly they have come to the view that the tax package suggested under that scenario is probably the fairest and best or least worst way of doing it. So will they automatically support scenario 3? No, because as presented they can only do so if they also support spending £520 million on the current round of capital works and funding it through an additional £350 million of borrowing, much of it to create facilities which generate no discernible income stream. Why are these two decisions hitched together?

I can sort of see the logic of saying do not borrow £350 million without putting additional income streams in place first to service that debt but this yoking of separate ideas works both ways round and I cannot for the life of me begin to see the logic of saying do not even think about agreeing to raise extra tax revenues not unless you are also willing to spend £520 million over the next few years on capital and to borrow £350 million, that is daft. It is a complete non sequitur particularly when actually what we need to get back to is that the need to increase taxation is overwhelmingly being driven by the relentless rise in revenue costs brought about by our changing demographics. That is what P&R's tax package should be tied to, that is 90% of the real narrative not as it has become in this debate and leading up to this debate the need to fund today's capital wish list, important though that is.

Anyway, to continue with Deputy X and the way he views this debate, as I say he is reluctantly supportive of the revenue raising measures under scenario 3 but definitely not of the spending and borrowing plans that come with it. Deputy X is a bit of a cloth capped little Guernseyman (*Laughter*) and he does not really like building up a big national debt, no matter how much the men in sharp suits from Ernst & Young may assure him that it is quite safe and he really should fill his boots with debt. (**A Member:** Hear, hear.)

Deputy X would prefer, ideally, only to borrow for schemes which generate an income stream or alternatively result in a quantifiable saving in current expenditure, but he is going to stretch a point. He accepts that Guernsey's neglect of its infrastructure over recent years means that unfortunately some compromise is needed so maybe he would reluctantly agree to borrowing and borrowing quite a lot. For example, possibly to fund the Guernsey Institute that is appalling buildings or to fund phase 2 of the PEH developments.

But other cases, some less pressing projects which neither generate an income nor reduce spending might just have to wait a little bit longer to be funded out of retained revenue surpluses exactly the sort of surpluses that his support of the fund raising side of scenario 3 will help to generate.

This fictional Deputy X does not buy the line that creating a stonking great national debt is actually quite fair on our children because they will still be getting some benefit of the infrastructure we create today. Rather he is very grateful that our predecessors left us without infrastructure unencumbered in this way and feels it is only fair to try to do the same for our successors, rather than being the one generation that wants its bread buttered on both sides.

So, how is this Deputy X supposed to vote? He would like to support the revenue raising side of scenario 3 but cannot possibly do so because coming with it is a borrowing and spending jamboree absolutely welded to it. And, sir, I have a confession to make: the views of Deputy X are quite similar to a certain Deputy R (*Laughter*) why I do not totally agree with everything of course but we are quite close.

This packaging of very different questions into single decisions does not only affect those who think like Deputy X and Deputy R, one could come from a completely opposite point of view and think that we should crack on with our capital programme everything in it but does not accept the need to raise taxes as put forward by P&R. I do not think that would be prudent, but that is a perfectly legitimate view to have. So that is a totally opposite view but again we are being facilitated, each Member should be able to make the range of decisions that they believe in and not have these indivisible bundles which they may believe in parts of and not other parts of.

So my desire, if at all possible, and to be honest I am not 100% convinced it is possible, is at least to get some decisions out of today's debate and I really worry that bundling decisions together in the way the policy letter does makes that a whole lot less likely to be achievable. So this amendment asks the Assembly to come to separate and distinct decisions on two things, because although they are trying things we are being asked to decided upon I think there are only two themes really; the first one is how much tax we raise and how and then, secondly, on how much capital spending we carry out, on what and how we fund it and I think those are two different decisions and that way maybe, just maybe, at least one of those decisions, maybe both, could be taken today.

I do not hold out complete hope for that but I believe that this is a better way forward and I think that Members should be able to vote on such a major seminal decision in a way that fits their conscience and I think they will find it easier if we disaggregate the decisions we are being asked to make today.

The Bailiff: Deputy Matthews, do you formally second this amendment?

Deputy Matthews: I do, sir, and I would like to speak, sir.

The Bailiff: I am going to call Deputy Helyar, next.

Deputy Helyar: Thank you, sir.

3630 Just in the interests of saving some time, in the good old fashioned way there has been some consultation on this amendment (**A Member:** Hear, hear.) and a meeting – and in fact Treasury officials have prepared a flow diagram to help us through it because the drafting is really quite complicated to follow – so I am hoping that if the amendment does pass and it is supported by P&R that it will help Members as we run through the end of the debate.

3635 I am probably, if it does pass, going to have to sit down with a cold towel over my head in order to be able to run everybody through it at the end of the debate but we do understand the logic of Deputy Roffey's presentations. There are Members that will want no tax but some borrowing and vice versa. The only thing I would caution is it is potentially possible to reach conclusions here that are not doable. So I think we need to very carefully point those out before we get to that particular point because it may be perfectly possible that we vote for having our cake and eat it which is something that we cannot afford to do.

Thank you, sir.

The Bailiff: Deputy Matthews.

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Deputy Matthews: Thank you, sir, and I second this amendment.

This allows Members to select spending packages separately from funding packages. This allows greater flexibility and is, in my view, an improvement on the propositions offered by P&R. For example, Members such as Deputy Roffey, could support a funding package from scenario 3 that includes GST but consider its accompanying spending package preferable or not want to support all of the items in it.

Now, one of the criticisms will no doubt be that it allows potentially dangerous combinations to be selected, for example the Assembly could select the most expensive spending package from scenario 3 but with the lowest funding package from scenario 1. The argument against would be well this would allow Members to vote for something that does not make sense and would not work. P&R has gone to great lengths to ensure the presented Propositions contain guard rails to ensure that such combinations cannot be voted for and this amendment takes the guard rails away.

3655 But the counter argument would be that this Assembly always has the ability to vote for something without suitable funding to match it. What has happened in recent times is exactly that, spending has been approved at various times and at those times the estimated costs may well have seemed entirely reasonable and within the limits of our ability to fund them but over time due to the effects of say inflation or interest rate rises when looked at in the cold light of day and in combination they have come unaffordable.

3660 In a previous debate Deputy Taylor quoted Spiderman, 'With great power comes great responsibility'. That is a great quote. I hope it gets used in every debate. The Assembly does indeed – I will give way to Deputy Taylor.

Deputy Taylor: Sir, I just wanted to do a point of correction but I was informed after debate that it was actually Uncle Ben that was quoting there and then it was quoted in Spiderman.

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Deputy Matthews: I thank Deputy Taylor for the correction.

The Assembly does indeed have great power. The Assembly can start and stop projects worth many millions of pounds. The question could be asked, 'Does the Assembly always act with sufficient responsibility?' However, it is my observation and it is not so much that the Assembly or individual Members lack responsibility but that sometimes we have difficulty in wielding that power. Members must choose between packaged options that are before us and it is often the case that those packages will contain some items that they wish to support and others they will oppose.

3675 So it is a difficult and complex decision-making process to untangle which item most closely matches their overall intention. P&R has, for example, gone to great lengths to ensure that there is no mechanism to pitch the two large spending projects against each other, in other words the

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school versus the Hospital question. But there are no packages which contain one of the other, Members can choose between simply neither or both. This amendment does not entirely resolve all of those issues but it does, however, offer a degree of flexibility beyond that provided and for this reason I recommend it and urge Members to support it.

3685 Thank you, sir.

The Bailiff: Deputy Parkinson.

3690 **Deputy Parkinson:** Sir, may I seek your guidance? If this amendment is passed will it automatically apply to any subsequent amendments which may add other options to the list of options, specifically of course, I am referring to Amendment 7?

3695 **The Bailiff:** The way I was going to propose that it be dealt with, Deputy Parkinson, was that we treat the numbering in the subsequent amendments as being changed. So rather than referring to Proposition 4 and what follows Proposition 4 in the original set of Propositions, we treat that as Proposition 6 because that is the equivalent in this amendment. So all of the amendments will be capable of being put and the numbering will just change subsequently.

3700 **Deputy Parkinson:** So that purpose of this amendment, as I understand it, is to disaggregate the spending side of the Propositions with the revenue raising side and will that automatically happen to any subsequent amendment such as Amendment 7 given it was passed?

3705 **The Bailiff:** Amendment 7 seeks to follow on from the existing Propositions and that would still be capable of being moved and inserted in the appropriate place but it may not be reached if there is a earlier vote just as it would not be under the Policy & Resources Committees set of original Propositions. So, in other words, it would still cascade. Do you wish to speak on this amendment, Deputy Parkinson?

3710 **Deputy Parkinson:** No, sir, that is all I wanted to say.

The Bailiff: Deputy Haskins.

3715 **Deputy Haskins:** Sir, I am seeking clarification from either yourself or His Majesty's Comptroller or Procureur. If in the new amendment Proposition 2 is approved, am I right in thinking that Proposition 3 and 4 will not be brought to the Assembly?

The Bailiff: That would be the consequence of this amendment, yes.

3720 **Deputy Haskins:** Right, thank you, sir.

The Bailiff: Deputy Inder.

3725 **Deputy Inder:** Only briefly, sir.
I think Deputy Roffey and Deputy Matthews have made a fairly good fist of unbundling what is a complicated process for all of us, somewhat helped by I think it was Deputy Helyar that says we are going to get some kind of Janet and John graph of joining the dots which, at some point over the next day or so, hopefully we will receive.

3730 The only comment I have really got on it, as Deputy Roffey was talking about that cloth capped – or in my case, bonny bonnet – wearing Guernseyman, I was just going yes, that is me, yes but if it is really the day it turns out that Deputy X is actually Deputy R and X & R equals I that is either the worst algebraic equation in history or it is an algorithm on a dating app and if either of us meets up on a dating app all I can say, sir, is I'll definitely swipe left.

Thank you.

3735 **The Bailiff:** Well I do not see any other Member rising to speak on this amendment so I will turn back to the proposer of it, Deputy Roffey, to reply to the debate.

Deputy Roffey: Thank you, sir. I give way.

3740 **Deputy Trott:** Thank you for giving way; that is the neatest way. Sir, it seems to be that it might be sensible for the States to consider a 15-minute recess just to properly absorb the consequences of two factors, first the surprising support of the Policy & Resources Committee and also, if I may say so, sir, your ruling which I do not contest but was not what I was expecting to hear. So my proposition is that we rise for 15 minutes in order to allow everyone the opportunity to cogitate on
3745 exactly what this amendment means.

A Member: Hear, hear.

The Bailiff: Let me put that motion to Members that we break and resume at 5.30 p.m. Those
3750 in favour; those against?

Members voted Pour.

The Bailiff: I will declare that carried so we will adjourn until 5.30 p.m.

*The Assembly adjourned at 5.13 p.m.
and resumed its sitting at 5.30 p.m.*

Funding & Investment Plan – Debate continued

3755 **The Bailiff:** Now then, Members of the States, just let me try and clarify what Amendment 1 seeks to do. Let us assume for a moment it carries, what that will do is it will replace the Propositions from the Policy & Resources Committee's original set of Propositions with this new suite of Propositions.

There would be a vote first on Proposition 1, we will assume for a moment that Propositions 1
3760 is approved by a majority of Members, consequently there will then be a vote on Proposition 2, if Proposition 2 were to be approved we would not turn to Proposition 3 but we would then have a vote on Proposition 4. So the bold wording immediately before Proposition 3 is only intended to apply to Proposition 3 but not to Proposition 4.

If, however, Proposition 2 were not to be approved there would then be a vote on Proposition
3765 3. So we would not skip it and thereafter there would be a vote on Proposition 4. If Proposition 4 were not to be approved we would move to Proposition 5 and similarly if Proposition 5 were not to be approved we would move to Proposition 6.

However, if Proposition 4 were approved there would be no vote on Proposition 5 or on Proposition 6 and we would be dependent on whether or not Proposition 2 had been approved as
3770 to whether there would be a vote on either Proposition 7 or Proposition 8, depending on whether Proposition 7 carried and that would be the scheme.

However, in relation to subsequent Propositions, so for example the amendment that is going to be proposed by Deputy Brouard, rather than asking him to resubmit it we would simply treat it as an amendment to Proposition 6 if Amendment 1 were to be carried and we would then add
3775 further Propositions from Deputy Parkinson's Amendment 7 and/or Deputy Trott's Amendment 9

so that there would be this cascade thereafter of those different options from Proposition 4 onwards. I hope that is perfectly clear. *(Interjection)* Deputy Brouard.

Deputy Brouard: Thank you, sir.

3780 I would not normally do this but this is an extremely important debate, it is going to have long-term ramifications and from the Members we have seen around the Assembly are trying to get a grip on which votes come where your explanation was very helpful but can I suggest that we adjourn now, you put your explanation down as how it cascades through so that we can work overnight as to see which combination that we would need? *(Interjection)* That would be my suggestion, sir.

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The Bailiff: Well, I will just turn to somebody from Policy & Resources to see whether they want to comment on that or are you content with that motion being put?

Deputy Roffey: Yes, sir.

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The Bailiff: I am simply going to ask, Members of the States, are you minded, despite your earlier decision to sit until 6 p.m., to adjourn now until 9.30 a.m. in the morning and then we will resume on Amendment 1 at that point? Those in favour; those against?

Members voted Pour.

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The Bailiff: I will declare that carried and we will now adjourn until 9.30 a.m. in the morning.

The Assembly adjourned at 5.36 p.m.