



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Thursday, 30th October 2014

*All published Official Reports can be found on the
official States of Guernsey website www.gov.gg*

Volume 3, No. 27

ISSN 2049-8284

Present:

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

Law Officers

H. E. Roberts Esq., Q.C. (H.M. Procureur)

People's Deputies

St. Peter Port South

Deputies P. A. Harwood, J. Kuttelwascher, B. L. Brehaut,
R. Domaille, A. H. Langlois, R. A. Jones

St. Peter Port North

Deputies M. K. Le Clerc, J. A. B. Gollop, P. A. Sherbourne,
R. Conder, E. G. Bebb, L. C. Queripel

St. Sampson

Deputies G. A. St Pier, K. A. Stewart,
P. R. Le Pelley, S. J. Ogier, L. S. Trott

The Vale

Deputies M. J. Fallaize, D. B. Jones, L. B. Queripel, M. M. Lowe,
A. R. Le Lièvre, A. Spruce, G. M. Collins

The Castel

Deputies D. J. Duquemin, C. J. Green, M. H. Dorey,
B. J. E. Paint, J. P. Le Tocq, S. A. James, M. B. E., A. H. Adam

The West

Deputies R. A. Perrot, A. H. Brouard, A. M. Wilkie,
D. de G. De Lisle, Y. Burford, D. A. Inglis

The South-East

Deputies H. J. R. Soulsby, R. W. Sillars, P. A. Luxon,
M. G. O'Hara, M. P. J. Hadley

Representatives of the Island of Alderney

Alderney Representatives L. E. Jean and R. N. Harvey

The Clerk to the States of Deliberation

J. Torode, Esq. (H.M. Greffier)

Absent at the Evocation

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

Deputy M. J. Storey, (*indisposé*);

Deputy P. L. Gillson (*relevé à 11h 04*); Deputy F. W. Quin (*relevé à 09h 49*);

Business transacted

Evocation.....	1627
Statement.....	1627
Nursing and Midwifery Council Review Report – Statement by Minister for Health & Social Services.....	1627
Billet d’État XXII	1630
States of Guernsey Budget 2015 – Debate continued.....	1630
<i>The Assembly adjourned at 12.33 p.m. and resumed at 2.30 p.m.</i>	1658
States of Guernsey Budget 2015 – Debate continued.....	1658
Procedural – Sitting on Saturday	1688
<i>The Assembly adjourned at 5.31 p.m.</i>	1688

PAGE LEFT DELIBERATELY BLANK

States of Deliberation

The States met at 9.30 a.m.

[THE BAILIFF *in the Chair*]

PRAYERS

The Greffier

EVOCATION

STATEMENT

Nursing and Midwifery Council Review Report – Statement by Minister for Health & Social

The Bailiff: Members of the States, I have given permission to the Minister for the Health & Social Services Department to make a Statement under Rule 8(c).

Deputy Luxon.

5 **Deputy Luxon:** Mr Bailiff, thank you for permitting me this opportunity to make a brief Statement to
Members in the middle of a debate and half-way through an item. However, as was often referred to
yesterday, the imminent release of the Review Report into our Island's midwifery service by the Nursing
and Midwifery Council, or NMC, was actually made earlier this morning and, as such, both the Chief
10 Minister and the new HSSD Board believed it to be appropriate and, in fact, essential to inform the
Assembly formally, through this Statement at the start of our day's business in the States.

Members have received the various reports and the press release issued on behalf of HSSD in response
to the NMC report and press release and its findings. It is the responsibility of the NMC to take great care in
reporting honestly and pragmatically their findings and we must all accept those findings. I received a draft
copy yesterday afternoon and have only just seen and read the full information late last night, so I am
15 unable to provide any further details until the Board and management have had a chance to properly digest
them completely.

These are clearly serious matters and we shall apply ourselves to remedying them in a very serious and
open way. I, of course, apologise, on behalf of the Board and Department, for the shortfalls in the expected
excellent standards in our midwifery service provision. All Islanders are entitled to expect to receive high
20 standards. Actions are now underway and will be progressed as a matter of urgency over the coming weeks
and months, ensuring we act appropriately, proportionately and by investing the financial resources needed
to remedy matters.

Sir, the responsibility that Guernsey's Assembly gave me is of leading the Health & Social Services
Department and my first priority in that, the new Board, is delivering a positive, robust, sustainable and
25 long-term response to the NMC's extraordinary Review.

The safety of our patients is of paramount importance and the NMC Report shows that our midwifery
and wider maternity services do not currently serve our patients well enough in that respect. I can assure
Islanders that delivering a high-quality midwifery and maternity service for the women and babies we serve
is our immediate and top priority. These steps already taken, and the steps that we will take next, provide
30 clear evidence of that commitment.

Sir, my Department has had a short period of advanced notice to view the NMC reports and I know that
we received the final draft from the NMC, as I said earlier, within the last 24 hours. We will publish our
finalised and detailed action plan in response to the extraordinary review by mid-November and we are
engaging positively with the NMC and the LSA in the development of that action plan.

35 The steps already taken and the steps we will take next should reassure the public that we are doing all
we can to ensure that the midwifery service is of the highest quality – meeting, if not exceeding,
proportionately, the NMC's standards. We will ensure that where changes are recommended, to ensure that
we meet NMC's standards, we will make those changes.

40 We recognise that the public at large and our maternity patients, in particular, today need us to show determination and leadership to put things right quickly. This we will do. Today marks the starting point of building, over the next five years, a truly integrated Health and Social Care system; one which can be held up as an example of best practice, delivering professional excellence and the best outcomes. We will commit the resources we need to do that and, indeed, have already started to do so.

45 Sir, it is important to note that the NMC's extraordinary review had limited access to the majority of service users and also, understandably, was not able to take account of the steps that have already been taken, nor the effectiveness and impact of those steps in reducing any potential risk of compromising patient safety. For that reason, we have invited the NMC to come back to Guernsey in order to evaluate the impact of our actions. In extending this invitation, we hope to assure the public we serve that we will be open and transparent about the progress we make.

50 Thank you, sir.

The Bailiff: Well, Members, under the Rules, I will now allow a period not exceeding 15 minutes for questions. I remind you that questions must be asked within the context of the Statement and that the Minister may decline to answer a question if, in his opinion, any answer given by him might be inaccurate or misleading.

55 So, are there any questions? Yes, Deputy Brehaut.

Deputy Brehaut: Thank you, sir.

60 Firstly, can I sincerely thank the new Minister of HSSD for his obvious commitment and application to the task at such short notice? The Report from the NMC conflicted or was at odds with reports that the HSSD had had from the Local Supervisory Authority. Are you in a position to give the Assembly an assurance that that disconnect or difference of opinion – if I can put it that way – would be explored at some later stage, please?

65 **The Bailiff:** Deputy Luxon.

Deputy Luxon: Thank you.

Sir, I will caveat any answers that I make on the basis, as you all well know, I have only been in this post for I do not know how many hours; but I will do my best based on what I have been briefed so far.

70 Deputy Brehaut makes a very fair and accurate point – that the HSSD Board and, indeed, senior staff would not appear to have been aware of the failings in our midwifery service and yet the LSA, he actually refers to, had conducted, I think, three or maybe four annual reviews and they are an accredited and recognised body.

75 It is fair to say, in the NMC Report that that bit is reflected; that the LSA clearly, their work and their part in this needs to be considered. Yes, of course, I agree with him – it is a very important question we need to ask: how did we end up where we have ended up?

The Bailiff: Deputy Gollop.

80 **Deputy Gollop:** It emerged in debate yesterday, the important subject of corporate governance and radio interviews so far would indicate that corporate governance is one aspect that needs to be strengthened at HSSD. Would the Minister agree that that will be an issue that he will talk about with his Board, to look at the implications of taking any necessary steps in that regard?

85 **The Bailiff:** Deputy Luxon.

Deputy Luxon: Thank you, Deputy Gollop.

90 Governance, corporate governance, leadership, culture are just a few of the key facets at play here and the outgoing board, the previous board, will be well aware of many others that I am not aware of. But, yes, yesterday lunchtime and in the early evening, the new HSSD Board met with the Chief Officer and her senior team and those particular issues are very, very high on the agenda, recognised by both them and the new Board.

The Bailiff: Deputy Bebb.

95

Deputy Bebb: Thank you, Monsieur le Bailli.

Would the Minister feel that it is appropriate to disclose to the Island and to the Assembly that, as a result of discussions between the Nursing and Midwifery Council, the regulator of nurses, and the General

100 Medical Council, the regulator of doctors, the actions that the General Medical Council have now taken in relation to the severity of the Nursing and Midwifery Council findings?

The Bailiff: Deputy Luxon.

105 **Deputy Luxon:** If I understand the question correctly from Deputy Bebb, then, yes, clearly this issue and these issues go beyond just the midwifery service and beyond just the LSA and the NMC reports and, clearly, reference has been made to the GMC as well. So I would agree with his indication.

110 **Deputy Bebb:** Sorry, my question was: does the Minister feel it appropriate to divulge what the General Medical Council are taking as actions because of the findings of the Nursing and Midwifery Council?

Deputy Luxon: Sir, I do not feel that I have sufficient understanding or in-depth knowledge, so I am not able to answer that question.

115 **The Bailiff:** Deputy Lowe.

Deputy Lowe: Thank you, sir.

120 Would the Minister give me assurance please and, indeed, it affects everybody in this Assembly – right across all the Departments – but bearing in mind this latest Report, that any whistle-blower will actually get the protection that they deserve and that if any Member of staff, whether at HSSD or other Departments – which you can only answer for HSSD – if they are contacted by staff, that it is not frowned upon; that that is operational and, in fact, the politicians will take responsibility and take it to the board to deal with if they believe there are problems within a Department?

125 **The Bailiff:** Deputy Luxon.

Deputy Luxon: Sir, Deputy Lowe makes an excellent point.

130 I think I mentioned yesterday in one of my speeches that I was impressed that HSSD had what looked like a very structured and formalised whistle-blowing policy. It would appear from some of the feedback we have had that perhaps it is too clunky and perhaps too many layers; but, more importantly, a good whistle-blowing policy is only any good if the organisation absolutely embraces and permits it to operate. The States of Guernsey, through senior officers around the Policy Council, have been trying to develop and intended to release a States of Guernsey-wide whistle-blowing policy and again I referred yesterday to my personal belief that it would be good that that happened sooner rather than later.

135 Finally, to Deputy Lowe's comments, yes, of course, we must make sure that any members of the 5,000 people that work for the States of Guernsey must have the knowledge and certainty that they can share issues that they are not able to have dealt with properly or responsibly by their line management.

Thank you.

140 **The Bailiff:** Well, I see no-one else rising.
Deputy Trott.

145 **Deputy Trott:** Sir, for balance, as a parent, I have had the opportunity to use the services on Loveridge Ward more recently than any other Member of this Assembly. Would the Minister mind if I made him aware of the fact that the attention my baby daughter, wife and I received by the team on Loveridge Ward was, in our lay view, excellent throughout.

The Bailiff: Deputy Luxon.

150 **Deputy Luxon:** Thank you, Deputy Trott and, sir, if I may, I do hope that Sarah Trott is enjoying her first birthday, just recently celebrated. My daughter – only daughter – was born in Guernsey 11 years ago and my experience and my wife's experience around that was exemplary and it is fair to say that vast amounts of time and effort are spent by those 2,000 people working in HSSD every day for the hundreds and thousands of people that come into contact and we can be assured that the standards are high throughout that organisation; but there have been some areas of shortcoming and failing and it is those that
155 the NMC lay out and it is those that we need to accept, realistically and address, which is what we are doing now.

The Bailiff: Deputy Brehaut.

160 **Deputy Brehaut:** Thank you, sir.

The NMC Review has triggered a review by the GMC. Does the Minister have any indication when their review will be published and when that review may be in the public domain?

The Bailiff: Deputy Luxon.

165

Deputy Luxon: I am afraid I feel I would risk misleading the Assembly if I answer those questions. I will happily get back to Deputy Bebb and Deputy Brehaut. I apologise, I cannot clarify.

The Bailiff: Any further questions?

170

Well, I see no-one else rising, so that, therefore, concludes this Statement.

Billet d'État XXII

States of Guernsey Budget 2015 – Debate continued

The Bailiff: We will resume the debate that we were on yesterday afternoon. If you could just formally announce it, please, Greffier.

The Greffier: It is Billet d'État XXII, the States of Guernsey Budget 2015, continuation of Debate.

175

The Bailiff: In the light of the developments overnight and following a request from Deputy Luxon, I have agreed that this is one of those exceptional circumstances where I can invoke Rule 12(3) and permit him to make a second speech.

Deputy Luxon.

180

Deputy Luxon: Thank you, Mr Bailiff, and I do promise the Members that I will not be exceptional again. Sir, we are half way back to type. Obviously, I spoke on this amendment yesterday and I thank you for permitting me to make just a very few words today, which I hope Members might find helpful.

185

Sir, finally, as regards the amendment we began debating yesterday afternoon, as I said yesterday, in debate the new Board recognises why the previous board members decided to lay this amendment to the 2015 Budget Report and understand the desire to lock in the new now known partial costs from the initial sharing of action areas to remedy the findings of the NMC Report, to ensure our Island's midwifery services return to the excellent levels that our Islanders deserve.

190

However, the new HSSD Board and Policy Council believe it would be far more complete and logical to establish the full and carefully considered cost implication resources first, which we can now begin to do with the release of the NMC Reports before requesting the T&R Board release funding from the Budget Reserve – something which T&R have already confirmed will be done, as per my request to the T&R Minister yesterday, to confirm in his summing up speech shortly.

195

Moreover, we believe that the new Board and the States of Guernsey must be aligned to the agenda for change and improvement, as set out by the NMC Report. This will be, and is, essential. Sir, finally, there is going to be extensive additional unbudgeted costs to deal with this matter. We know some of those costs now – the amendment lays them out – however, we do not know what all of costs may be and we need to ensure that, in fully complying, we are proportionate and cost-justifying of the full midwifery service remedy.

200

I, therefore, suggest to Members that this amendment is withdrawn as it would only partially deal with the issue at hand, with the certainty that T&R will make the required funds available to HSSD upon request, once fully determined. In the meantime, HSSD will incur and has incurred some costs already as aspects of our action plan being implemented by the Chief Officer and her officers.

Thank you, sir.

205

The Bailiff: Deputy Dorey, are you minded to move a motion that the amendment be withdrawn?

210

Deputy Dorey: I am happy to do that. I have just discussed it with my seconder. I am happy to withdraw the amendment if the new Board do not require the amendment. It was there to set out the course as we understood at this time, so that the States were aware of it and the budgets of the HSSD could be increased to cover those additional costs.

The Bailiff: Thank you.

Well, Members, the motion then is that the amendment marked D, proposed by Deputy Dorey and seconded by Deputy Brehaut be withdrawn.

215 Those in favour; those against.

Members voted Pour.

The Bailiff: It is withdrawn.

Deputy Quin, you wish to be relevé? Thank you.

220 We move on then to the amendment... Sorry, it was the amendment marked E. Sorry, I had the wrong one open in front on me. It was amendment E that we have withdrawn. I think everybody understood that. I apologise for that.

We move on to the third of Deputy Dorey's amendments, the one marked F.

225 Do you wish to move that one, Deputy Dorey?

Deputy Dorey: Yes, I would like to.

The Bailiff: Thank you.

230 Amendment F:

In Proposition 11, to delete 'totalling £373,100,000' and insert at the end of the words: ', but with the addition of £1,014,000 to the revenue cash limit of the Health and Social Services Department for increased costs of providing maternity services and associated improvements, such addition to be funded by a transfer from the General Revenue Account Reserve; and in consequence that the objective in the States Fiscal and Economic Plan (as approved by the States on 15 July 2009 - Billet d'État XVIII, 2009) of a 'Real term freeze on aggregate States revenue expenditure' (page 1130) shall be split into a 'Real term freeze on aggregate States revenue expenditure up to 31 December 2014' and a 'Real term freeze on aggregate States revenue expenditure from 1 January 2016'.

Deputy Dorey: Thank you, sir.

235 This amendment proposed an increase of £1.25 million in HSSD's budget allocation for 2015. This is in addition to any specific increases proposed to the ambulance service and the developments relating to the review of maternity services.

To begin with, I need to explain how the Department arrived at this figure. In early summer, all Departments were asked to notify Treasury & Resources if, as part of their budget setting process, they were likely to request a significant increase in their cash limit from the previous year.

240 In response to this, HSSD did a table top exercise. The officers of the Department worked with the Board to identify areas of known risk. Generally speaking, these were areas where there is little or no resilience, where a whole service depends on a single staff member or a small and overstretched team.

We agreed that, in many of these areas, it was not appropriate to carry the risk, because the consequences of the service failed or delivered poor quality care. So we identified these as areas where more investment was needed, not as new service developments but simply to shore up existing services.

245 We wrote to T&R in June to notify them of the need for a significant increase in the cash limit. By early August, we had established that a budget of around £113.3 million, including the grant to St. John was likely to be needed. At the same time, HSSD was working through the official bottom up budgeting process. I should emphasise that this is a States-wide process introduced with SACC, which is needed to build up a good picture of the Departments' spending requirement by bidding up the budget in detail in every service area.

250 The bottom up budgeting process initially came out with a figure that was close to £116 million. The Department's finance team worked through this with service managers across the Department, identifying areas where funding requirements had been over-estimated, but also finding areas where costs had been missed out.

255 These areas where additional spending pressures were merging from, unsurprisingly, were similar to those identified through the table top exercise earlier in the summer and helped to reinforce the need. After ongoing refinement of the bottom up budgeting results, HSSD calculated it would need a budget of £114.1 million in 2015 and made its budget submission accordingly.

260 In the explanatory notes of this amendment, States' Members will see a list of areas where additional costs are likely to emerge in 2015. In the case of insurance, this is unavoidable growth in the cost of the premiums. In the case, say, of pathology or dentistry, it is additional resources needed in order to continue to provide a reliable, good quality service.

I should say, for the sake of absolute clarity, that this list is illustrative. We are not coming to the States with a shopping list and asking for exactly £90,000 to spend on flu vaccines or another £150,000 to spend on IT staff. We are asking for a total of £1.25 million to be added to HSSD's budget and informing States' Members that these are the areas of greatest need at the moment and, therefore, the areas where additional budget is most likely to be allocated internally.

But, as with all States' Departments, HSSD may need to move money around during the course of the year. Cardiology may need more funding, sexual health may need less or vice versa. The Department has to maintain the flexibility to do that and I want to be careful to avoid creating an expectation that the budget allocation we ring-fence in exact proportions requested in this amendment. That said, these are the areas of greatest known risk or need, in addition to maternity services and St. John, which have been dealt with separately.

I provided all States' Members with more detailed information on each of those areas of expenditure listed in the explanatory note and, whilst I do not intend to go into that level of detail here, I just wish to draw your attention to the budget increase of £74,000 for the Children's Convenor.

Over the past three years the Children's Convenor has benefitted from an allocation of £112,000 per year, following the successful States' Strategic Plan funding bid. However, the bid was established on the basis that the need was temporary until demand was stabilised and, as such, the funding runs out in April 2015. The demands of the service did not plateau when expected and, indeed, continued to grow. Therefore, the Children's Convenor has requested additional funding for 2015 to meet the service demands.

Also I want to mention dental care, for which we are requesting a budget increase of £33,000. The level of service user demand requires additional capacity if waiting times are to remain acceptable. So HSSD is seeking to extend existing orthodontic consulting working hours.

In May 2014, the visiting consultant orthodontist resigned because of the limited resources to support her. She felt the service was no longer fit for purpose and unwilling to take the clinical responsibility and the risk of litigation.

Her replacement – a locum – agrees that the service is not fit for purpose and the situation needs to be addressed, but I would ask States' Members, in debating this amendment, to think very carefully before trying to pick and choose between more or less deserving bids. You may think it is obvious that investment in pathology is needed as there is only one single doctor in the Island who can do it.

No-one could dispute the importance of prompt and effective diagnosis of cancer and other malignancies. On the other hand, you may find it harder to see why investment in policy research is needed at this stage, perhaps not knowing that HSSD has very limited resources in this area and that, with the multimillion pound development of a hospital just around the corner, for example, it is vital that the Department can give a good picture of the Island's emerging health needs and future trends in the actual delivery of health and social care.

There are many developments that HSSD cannot fund at the moment. Over the past year, we have built up a process of identifying, evaluating and prioritising these. It is still in its infancy and the new Board may wish to continue to build on it, but the important thing to emphasise is that this amendment does not reflect everything the Department could be doing. It is not a wish list. We have consciously set aside a number of areas. What remains on this amendment is simply we cannot afford not to prioritise in the year ahead.

Even though I have stood down as Minister of HSSD, I have no hesitation in continuing to pursue this amendment. We have seen HSSD repeatedly fail to deliver against underfunded budgets in the past years. The effect on the Department, politically and operationally is destructive. Next year we cannot and we should not set HSSD to fail again.

However long it takes for the States to decisively establish the baseline course of delivering the safe health and social care and however long it takes us, politically, to agree how those costs should be funded, in the interim period we should aim for stability and continuity of service at HSSD. This means enough investment to ensure resilience in all areas of the Department's mandate, enough scope to tackle emerging risk. This Budget reflects exactly that: the need to ensure the continuity of service and the need to mitigate known risk.

Based on all the analysis we have done in preparing our budget submission, the former board of HSSD believe the total budget of £114.1 million would set the Department on the right footing to deliver a good, strong service throughout 2015. This is more important than ever. Please support this amendment.

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

Deputy Brehaut: Yes, I rise to second. Thank you, sir.

The Bailiff: Deputy Bebb.

Deputy Bebb: Thank you, Monsieur le Bailli.

325 A few words in relation to this Budget amendment. The new Members of HSSD will not be aware of it, but those of us who have been on it before, the Children's Convener is an independent office and part of the Convener's work is to scrutinise and deal with the work of HSSD.

330 Therefore, HSSD cannot interfere in the work of the Convener. It is very anomalous. I would urge the States' Review Committee that, when reviewing the structures of the States, this is a perfect example where the Convener should not be part of the HSSD budget, but it is. We need to just accept that for the next year until we move that office. However, I, therefore, caveat that it will not be possible for the Members of HSSD to challenge the Convener, because they cannot be seen to interfere in the work of the Convener's office. Therefore, it is very important that that money is invested, because otherwise the Convener will not be able to operate and we will be placing HSSD in a completely impossible situation. You have just elected five people. Give them the right tools to do the work.

335 Deputy Dorey has identified a number of other areas. I would like to talk as well in relation to the IT costs. It is important for everyone to know that the largest risk item – *which is huge* – to the whole of the Department relates to the Children's Services and that is directly as a result of the inadequacies of the current Children's Services computer system. Therefore, failure to invest properly there is likely to see a large crisis in that area. It is a massive risk to the whole of the States of Guernsey and I think we all know what happened in Jersey when they did not deal appropriately with funding and care in Children's Services.

340 Members, there are so many reasons to make these investments. I believe strongly that in relation to sexual health, for instance, that we do not fund it sufficiently and we are currently paying with a very large rate – more than double the rate – of teenage pregnancies compared to Jersey, because we do not fund our sexual health properly. At the same time, we are currently spending around £100,000 per annum, it is estimated, on abortions. That is an equal failure of our contraceptive services.

345 So, I would urge Members that these are things that need to be done. They have been identified as work that will happen in 2015. I doubt that the incoming Board will want to completely rewrite the 2015 work plan and, therefore, I believe that these things will come to bear and therefore the Department requires the funding. Failure to fund appropriately will see another crisis – I am convinced of it; whether it will happen in 2015 or later is the only question in my mind.

350 Thank you.

The Bailiff: Deputy Fallaize.

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

All of my instincts are to support this amendment, which will not come as a surprise to Members, because I think that we have been pursuing, for a few years now what I have called a unique experiment with Health and Social Services. I am talking about not so much the way we see the Department but the health and social services provided.

360 No other jurisdiction in the western world has cut its budget for health and social services in recent years. Even in the UK, where some government departments have faced budget cuts of 10% or even 20%, they have provided real terms increases in health and social care budgets. In Jersey, which is our nearest comparable neighbour, they are pumping not just millions, but tens of millions of additional investment into health and social services as we speak.

365 In Guernsey, in real terms, we have cut HSSD's budget not insubstantially since 2008-09 and I think that has created a structural problem where we have insufficient depth of quality amongst senior management. Clearly not all senior management but there is insufficient depth in the quality of senior management and there is systemic underfunding of a whole range of services that are now provided by that Department.

370 However, I see this amendment similarly to how I saw the last amendment – and I was not particularly in sympathy with the proposal to withdraw the last amendment, because when one reads through the Report of the NMC, it seems to me inconceivable that we will be able to respond to that Report without investing the sum of money that was set out in Deputy Dorey's amendment. In fact, I would be hugely surprised if the necessary investment can be restricted to the sum that was set out in Deputy Dorey's amendment.

375 But I think we are now moving into a different era and this has something to do with personalities and I do not say that in a pejorative way but I think, because of the circumstances of the NMC Review and the circumstances of the election yesterday – as I said, partly because of personalities – we are probably moving into different era.

380 And I actually no longer think that we are here today, particularly, to resolve HSSD's budget for 2015. I think that HSSD will probably be provided with whatever budget they need for 2015, once they carry out the necessary review. Maybe I am wrong, maybe I am being naïve. I do not think the Treasury Minister is going to say if there has been thorough review of health and social services provision and it is found and Deputy Luxon presents the case for an extra million or three million or five million or eight million, I do not think that the Treasury Minister is going to actively try to deny HSSD's budget, because that will be

385 self-evidently counter-productive. We are beginning to see what happens with services when you cut into
essential budgets and, ultimately, the people of Guernsey are not going to be prepared to see the health and
social services, which they depend upon, deteriorate in the way that they have started to deteriorate and will
continue to deteriorate if we pursue this unique experiment.

390 So I am really not thinking any longer about the trying to approve a budget figure which HSSD can
reasonably live within next year, on the basis that if they cannot live within it maybe they will face of
motion of no confidence or maybe they will be criticised; because I actually do not think they will be any
longer. I think the culture is that the mind-set is going to have to change around the funding of HSSD and
because the last amendment was withdrawn, on the basis that Deputy Luxon said, 'Let us carry out this full
review. Let us understand what is necessary to put right the deficiencies that have been identified in the
395 NMC Report,' I am actually minded to take the same approach with this amendment and not to make what
could actually be a sort of fairly cosmetic response to say, 'Well, we recognise HSSD's budget needs to go
up by an amount that we have no idea what it is at the moment, so, therefore, we will just chuck another
£1.254 million at it.'

400 That may not be anywhere near enough and if Deputy Luxon says that he and his new committee is not
going to support this amendment, I am minded to accept that advice and, effectively, let them get on with it
and trust HSSD and T&R to resolve what is now, clearly, a budget crisis in HSSD. But if they do not do it
then I will have no hesitation in supporting proposals which go far beyond the kind of proposals which are
set out in this amendment in future Budget debates.

405 Thank you, sir.

The Bailiff: Deputy Dave Jones. Sorry, Deputy Luxon.

It may be helpful to hear from the Minister, it seems to me, following on that speech perhaps before we
hear from other Members.

410 **Deputy Luxon:** Deputy Jones does not always listen to...

Sir, I find myself in a strange place for two reasons. It is a strange place in terms of timing. We
obviously have had the HSSD board resignation, the laying of this Budget Report in his Billet, then the
amendment being laid and here we are today. Also I find myself in a strange place, personally, because the
previous HSSD board obviously believed that the £1.254 million is needed and justified, but I have not seen
415 that justification or business case for it and my heart tells me that I would want to support the principle of
HSSD's budget being increased, but my head tells me that if I believe in due diligence and good
governance that, before I can support an amendment asking this Assembly to increase the budget allocation,
we should be comfortable that it is absolutely needed and there are no alternatives.

420 In 2013, the HSSD budget was £112 million, by memory, and the budget for 2014 was £104 million and
this budget for 2015 was £113 million. What is the right budget? What is the right amount? I do not think
any of us know and it has been one of those age old problems, which Deputy Fallaize has referred to.

425 Sir, if the T&R Minister is able to clarify that, if these 14 spend items that Deputy Dorey and Brehaut
have itemised are proved to be vital for 2015 and cannot be funded within the existing proposed general
revenue allocation within the HSSD budget, then he can clarify that we can apply to T&R for a budget
reserved funding, then that will affect how I decide to vote, either head or heart.

430 But I do thank Deputies Dorey and Brehaut, truly, for again trying to aid both the HSSD Department
itself and the new Board by trying to provide it with the funding that it genuinely believes, from the work
that Deputy Bebb described in his words during this budget submission, is necessary. So I would be very
interested to hear to T&R Minister's comments.

Thank you.

The Bailiff: Deputy Dave Jones.

Deputy Dave Jones: Thank you, Mr Bailiff.

435 One of the things that I wanted to say this morning is that we should listen to the ex-Members of HSSD
who have lived through much of this for many years and, while we may have a new Board, the way I view
this amendment is that this £1,254,000 is merely to stand still.

440 You heard from Deputy Bebb this morning that there are certain things that are going to fall flat on their
face if this funding is not forthcoming and, while I understand the reviews that are taking place in HSSD –
and I tend to agree somewhat with Deputy Fallaize that I think there is going to be a new mood amongst
Treasury to make sure our Health Service is properly funded, given some of the fairly critical reports that
are coming out of it in different departments at the moment...

There is only one other question I have on this. On this list it says, 'Policy development: three to four
additional staff.' I am unsure what policy development that is. It just seems to be a very generic amount

445 thrown in for additional staff. Now, one of the things the reviews will throw up is whether the departments and different sections of Health are adequately staffed.

Given conversations that I have had with other Members, both yesterday and today, one Member made the point to me – and I think it is worth remembering – is that we have cut HSSD’s budget to the bone and we are now reaping the whirlwind for doing some of that, in the way that the services are close to – I will
450 not say close to collapse, but certainly they are close to areas that are not conducive with running a proper, well-funded Health Service.

So I would be interested to hear what the Treasury Minister has got to say and I will reserve whether I support this, but I think it is important for all of us to remember that, as far as I understand this amendment, this is a sum of money just to stand still. This is not to improve very much.

455 Thank you.

The Bailiff: Deputy Gollop and then Deputy Lowe.

Deputy Gollop: Sir, I listened carefully to what Deputy Fallaize said and I am in the curious position of
460 agreeing with virtually everything he said and disagreeing at the same time. (*Laughter*)

Deputy Kuttelwascher: Which is the funniest position you...

Deputy Gollop: Well, it is just that he is absolutely right that changing times, investigations, personalities, chemistry round board tables and officers’ advice will change and that would be a game
465 changer; and I can entirely agree with what Deputy Jones says, that we are perhaps reaping a whirlwind from not just cuts, if you can call them that, but in a way the FTP process or the darker side of the FTP process.

But – and there is a ‘but’ here – I think Deputy Luxon has made clear every time he has given an
470 utterance that the important issue is budgetary analysis of a zero-based budgeting – whatever you call it. And it could well be that, if one reorganised Health and Social Services, root and branch, that the figure of £113 million or £114 million would prove sufficient and that would include significant extra resources being given to priority areas.

We do not know that, because looking around one has to admit that the last two or three boards at HSSD
475 did not come to the States with either an analysis of either every conceivable cost, nor did they come with a case for an urgent budget increase in the form of a conventional States’ report. We have had budgetary amendments, we have had statements about exceeding budgetary expenditure, but we have not had a case being made.

We did have a case with environment. The Environment Board, and the new Environment Minister too,
480 made a case that we perhaps needed to put more resources into the Transport Strategy and the States agreed to that.

We have had that case made in other areas but the point has not been structurally made and, until it is
made and until it made as a business case to the Policy Council, to the Treasury & Resources Department and to the States as a whole, the new Board will make as much progress as the previous boards. That is the
485 crucial point: to prioritise resources into that work stream.

Given the circumstances we find ourselves in though and, I think, the solid case that Deputy Dorey,
after his years of expertise, has put forward, I will support this amendment and I would hope actually that the new Minister and the Board would consider supporting it too. The reason why I say that is because
490 Deputy Luxon may be right: you have not had a business case made for this in terms of due diligence and the new Board is not in the position to know exactly whether every single item on this list is important or not. But surely if we, as an Assembly, gave them the additional million or so and they underspent because they did not need it, that would be a win-win for the Assembly. I am not sure that would happen, but it has to be a possibility.

Referring back to the debate yesterday on the amendment that was later withdrawn, the very able and
495 highly respected surgeon and Member, Deputy Adam, made points about the necessity or otherwise of more and more regulations in certain areas of medicine. The problem is that does appear to be a message we are getting from the professional community in the UK as a whole. It is a message we have had in finance too. I am sure many of us would have liked to have gone back to the more regulation lighter era of the 1990s or the 1980s, but if it is the case that greater and greater regulation is needed then Deputy Dorey and other
500 Members’ view, that perhaps we are facing a potential crisis in some areas, that some situations might not be fit for purpose, will be a growing message; and the only way to counteract that in the short term is to put resources of staff and money and people into it.

In the long term we may find – under a 2020 review or similar – that there are better ways of doing the
same point or better ways of charging the customer or allocating budgets; but in the short term – this is only
505 next year’s budget; we are not talking about 2016 or 2017 – it is obvious that the Health and Social Services

Department will need additional resources and it is pretty obvious that most of these will require some work done in them and so I think logically we have to support the amendment.

The Bailiff: Deputy Lowe.

510

Deputy Lowe: Thank you, sir.

Deputy Gollop actually covered a little area of what I wanted to say, in that I believe we should be supporting this amendment and I hear what Deputy Luxon has said – that he has not seen a business case – but we also know today the Department is in a crisis, so the last thing we want to do is being holding off more business cases and then applying to T&R for that process to take place.

515

The business cases, obviously, must already be there and surely it is better to have the endorsement of this States that you have the approval to have that money. If it is not needed and you are not satisfied with the business cases that are already there, well, give it back to T&R; they will have it with open arms. But I just see this as a cleaner and more transparent way without holding off anything, without actually something being sent to T&R for delegated authority that this Assembly will endorse this and give HSSD the right way to go forward to get on with this, because they have got other things they need to be getting on with, so they have got so much of this already set out for them. If they do not want it, fine, send it back to T&R, but I urge Members to assist HSSD here by supporting this amendment.

520

525

The Bailiff: Deputy Brehaut and then Deputy Adam.

Deputy Brehaut: Thank you, sir.

Sometime ago, some years ago, when Commerce & Employment were putting a policy letter forward, I came up with an expression. I said that if the Members of the Commerce & Employment Department were washed up on a desert island without food or water or any means of heat, they would all huddle round the sand and think, ‘What can we do? I know! We will draw up a business development programme.’ And I am hearing a little bit of that now.

530

Deputy Luxon said before he sat down, ‘I think I will revert to type’. We are hearing language such as, ‘Well, we do not know exactly what the spend of HSSD is. We do not know exactly what that number is, so we need to explore that a bit further. There is no business case for this and I would like to get a business case.’ Well, welcome to the Health & Social Services Department. Their demands are different to the demands in any other Department and you have to act swiftly.

535

What we are hearing today is that we have withdrawn one amendment, yes, but there is a great amount of goodwill at the moment in this Assembly, there is a great amount of warmth to HSSD and everybody is feeling relatively positive about things under the context we are in today. I can tell you now that will not be around in five or six months. It just will not be around because the demands on the budget will increase, there will be concerns about the Department overspending and there will be animated discussions around the T&R table and HSSD: ‘What number can we come up with? What are we happy with?’ And it will be a compromise – a compromise that we know will not deliver for the community.

540

Now, outside today, walking in here, we had senior members of staff from HSSD giving interviews, talking about governance, talking about management, talking about rationalisation of services and what Deputy Dorey said to you earlier was that we had spoken to staff members. We have gone to the staff. If you trust – and, again, this is perhaps what I touched on yesterday – I have full trust in the finance team that support HSSD. We have gone to them. They have gone in turn to their managers who said that there is little or no resilience. There is little or no resilience. So, how do you interpret that, again, within risk of what HSSD does? Little or no resilience.

545

These are the people who know. Respectfully, incoming Members and the new Minister, at the moment, just may not know. The people who do are advising the political heads to pursue this. Also, the visiting orthodontist that left – and bearing in mind it costs us money to get people here – felt they were not valued, they were underfunded and that has had implications and needs to be resolved too.

555

I remember also some years ago that – and I remind Deputy Jones of this – I think the then Minister, Deputy Roffey, said, ‘If you want to keep squeezing our budget, you will be looking for a new Health Minister.’ That is what he said and Deputy Jones got to his feet and gave a very, very supportive speech then of HSSD, at the thought of there being a turnover of Ministers because of funding. Now, actually that is passé, that is fairly commonplace and that is the experiment that Deputy Fallaize has referred to.

560

Just by way of a mirror image, what has the Review of midwifery cost SSD? Those numbers are not in front of us. What will the Review of midwifery cost the SSD? What will the review by the GMC cost the Social Security Department, who cover the costs? And what are those costs? So if the Social Security Department is dipping into its pockets to assist, it is only right to assume that, in the mirror image, HSSD will have to do exactly the same thing.

565

As I have said before, there is a tremendous amount of goodwill and warm feeling at the moment towards HSSD and I genuinely hope that that remains. But what we are trying to do, as outgoing Members who have lived and breathed the problems within HSSD, who have been subject to the front page of the *Press* forever, who have been subject to the comment column forever, is we want to give you a break from all that; and, in doing so, adequately fund Health and give the reassurance to the community that clinical practice is safe. As Deputy Gollop has said, 'If you do not want to do that, if you do not want to take this, don't.'

I will ask for a recorded vote and if new Members of HSSD do not want the money, let us know clearly that you do not want the money. Alternatively, you could take the money and return it, because there has been a miracle within HSSD because you have discovered something within a very short time that nobody had seen from the membership of the previous boards and you will be able to deliver on time and on budget. Well, we know that that is not going to happen. In very, very short –

Deputy Fallaize: I thank Deputy Brehaut for giving way.

I am just interested – Deputy Brehaut said that the amendments were intended to provide HSSD with an adequate budget, and clearly that is their intention, but could he clarify – and this is a neutral question, but I am very interested in the answer – does he genuinely believe that, if the States vote for this amendment and then vote for the substantive Proposition as amended, HSSD will have an adequate budget to deliver its services in 2015, and that they should therefore be expected not, other than in extreme circumstances, to spend more than that allocated budget?

The Bailiff: Deputy Brehaut.

Deputy Brehaut: No, I am not saying that. No, what I am saying is that there must be an appreciation of the scale of the problem and this will assist. Undoubtedly, it will assist.

What I cannot rely on – and this is through my experience in politics... How many times have I stood in this position, where the Treasurer can walk out with a smile on their face to say, 'We have delivered a balanced Budget.'? My Budget was virtually unamended'? That is the key message that seems to go to the community: a balanced budget is crucial. It is taxpayers' money but we never give the balance to that in risk to the community and that has to stop.

In the UK they have ring-fenced health spending. What we are doing at HSSD, through T&R, is cutting it to the quick on every occasion and that has to stop. The point is more is not enough, but we know, I believe, that we need more.

The response to that, which are getting already – which is, 'Let's crunch the numbers; let's get a business case'... it is just not the time to do that.

If this new Board deliver and have an unspent balance, great, but that is probably not a realistic outcome. This is a genuine, with an open hand, effort to assist a new political Board facing immense challenges. That is the spirit of this amendment. If you want to get lost in the technicality then you are going to create enormous problems, both in the clinical environment and for people who live and breathe and work within the Health & Social Services Department.

So, I urge Members to support this amendment, sir.

The Bailiff: Deputy Adam.

Deputy Adam: Thank you, sir.

I start by pointing out Deputy Brehaut's answer to Deputy Fallaize's question. What Deputy Fallaize says is that, if this money is given or added onto the budget that is in this Report, does it mean that HSSD will stick to that amount? An answer, without going on about it too much, is, N O – No.

The reason for standing up and discussing this amendment is because I believe this is a bit of a shopping list. It looks like a bit of a shopping list. None of these sums that are listed here are actually a ring-fence for the topic that sits beside them. They are just sums of money that come up to a total sum of £1.254 million, which is what they feel is required.

But they are not ring-fenced. You cannot say the Children's Convener is £74,000. As Deputy Bebb said, the Children's Convener is separate; it is at arm's length. In fact, initially when it was started, there was a sum of money that came from SSD to cover the cost of children's law and the Children's Convener, and it was paid from T&R, through HSSD, and HSSD simply kept a note of how the money was spent. In other words, they were keeping an audit on how the money was spent.

Therefore, before you know how much a Children's Convener requires for her budget, because of the increased through-boot and complexity of cases etc., you have to have some correspondence from her stating whether it is £74,000, whether it is £120,000, etc. And that is maybe a business case. Deputy

Brehaut does not like business cases, but that is how we should get the information and not just a list with others.

The other one: sexual health strategy. That is out for consultation. Sorry –

630 **The Bailiff:** Deputy Adam is giving way to Deputy Brehaut.

Deputy Brehaut: Can I make a point of correction to say I love business cases, sir?
Thank you. (*Laughter*)

635 **The Bailiff:** Deputy Bebb.

Deputy Bebb: Would Deputy Adam agree that, given the current SSP bid is exactly that £74,000, but it is coming to an end, and the Convenor has stated that there is a need to continue the same level of funding, would Deputy Adam agree that that is a sufficient business case for that additional £74,000?

640 **The Bailiff:** Deputy Adam.

Deputy Adam: Thank you, sir.

645 Thank you, Deputy Bebb. What I am saying is that it would be nice to know from the Convenor of Children's Services if that is an adequate amount or what has the budget been for the last year? Is it overspent, etc.? There are other issues that might be present.

Now, the other point: sexual health strategy. That is out for consultation just now. That has not been to this Assembly to see if it has been agreed yet. Yet we are being asked now to budget for it for next year. I think that is putting the cart before the horse slightly.

650 As far as IT is concerned, it says, 'Four additional staff' and what Deputy Bebb mentioned was the fact about the children's aspect of the computer system. Well, that has already been submitted through a capital project of up to £600,000 in provided funding to make that software available or develop for the computer system. So I am not too sure if this is something in addition to that £600,000 to develop these things.

655 The next one is the student nurses. Deputy Bebb said yesterday that an increased intake... As Deputy Bebb said, you cannot really increase the number of nurses being trained in Guernsey, because you do not have the clinical case load – this is just an expression that we tend to use very wrongly – for people to practice on patients and get trained in doing things. If you do not have sufficient of that, you cannot increase the number of student nurses and I think Deputy Bebb did mention that.

660 So, this list... Insurance premiums, I have to accept, go up routinely. It is just something one has to accept if you work as a doctor.

So my concern is that these are not ring-fenced, they are a list of numbers for you to consider, there is no clarity about exactly what it is going to be spent on in some cases and I feel that it would be much better to reject this amendment.

665 The new Board has seen this list; they are aware of this list and then they can assess what their priorities are going forward. We have the Review which is the most urgent thing and then we can look at other areas which might need addressing – for example, the additional consultant in pathology. There has been only one consultant in pathology for about 20 years and I accept that workload has increased and changed significantly. But I feel it is the wrong time for agreeing to something which a) is maybe not be enough, b) is not being put forward by a new Board as important and, as Deputy Luxon said, with his heart, he might want it, but with his head he does not want to be committed to having to spend money, as this would suggest.

Thank you, sir.

675 **The Bailiff:** Next, I call Chief Minister, Deputy Le Tocq, and then Deputy Brehaut.

The Chief Minister (Deputy Le Tocq): Thank you, sir. I will fairly brief, because Deputy Adam touched on a number the issues that I was going to raise.

680 Sir, on Monday at Policy Council I commended Deputy Dorey and his board for hard work and sincerity, which I think no-one can fault them in. But what Deputy Brehaut recently just said in his speech gave me concern. He said there are some times when more is not enough. Well, I think I understand what he is saying but I think that is a very dangerous phrase, because what we need to have here and what this Assembly has decided, sir, is that a new Minister and Board is in place and so what we expect is a different type of thinking, certainly the equal amount of hard work and an equal amount of sincerity.

685 But I think what this amendment seeks to do is, effectively... and we have heard it in answer to Deputy Fallaize's intervention, from Deputy Brehaut that there is no assurance that this will be enough. It is a bit like sticking a plaster over one wound and not looking at the whole person. It may well be that this is

appropriate. It might not be enough in the light of a review that has yet to take place and so I do not think Deputy Brehaut's straw man of saying it is a matter of either doing this and having the option of the HSSD Board giving the monies back that they do not need to spend, or not doing anything and trying to live within the existing budget allowance.

Those are not the only two options and I think where we are at this juncture, it is important to allow the new Minister and Board of HSSD to have a proper rethink and review in conjunction with the Treasury & Resources Department. This is a Budget debate and I think if we get into the detail of this particular sort of amendment, it is inappropriate in this Assembly to do so. We have elected a new Minister and Board; let them liaise with T&R over the next year and do a proper holistic review of the whole of HSSD of which, no doubt, these issues that I believe sincerely have been tried to be addressed, will be part of that but it needs to be done in a holistic manner, not in the manner that is being presented here. So I cannot support this amendment.

The Bailiff: Deputy Brehaut.

Deputy Brehaut: May I just clarify my 'More is not enough,' sir? Thank you. More midwives was not enough.

The Bailiff: Deputy Brouard.

Deputy Brouard: Thank you, sir.

I think we are losing part of the aim of what a budget is. A budget is a rough guide of what you are going to be spending in the next year. It is created six months before the year even starts, so we are 18 months out looking at it. With the accounting systems with SAP, who are probably about three months behind where you have been, because you do not know what you got until it has come in. *(Laughter)* Thank you very much.

HSSD is not giving a fixed price contract and I think Members are starting to miss... It is not a fixed price contract. What we are saying here is that these are some items which we think are coming up on the horizon.

Now the question for you is: do you want Treasury to run the business? Because that is what it will come down to. Do you want Treasury to be running the business? Not just HSSD, but all businesses; because when you give only enough to do the day job to a particular Department, anything else, any wriggle room, means you have got to go back to Treasury to ask for some more money or for that flexibility. So, the more you tie down the Department, the more you have got to go back to Treasury.

So here we have got £1 million-worth of expenditure. It is less than 1% of the T&R's Budget, looking out 18 months. Please do not bog the system down with the detail of this. If the new Board does not want to spend on this, the new Board does not have to spend on this, but give some flexibility to the Department to get on and do the job. This is a Budget; it is not a fixed price contract. Please give Departments room to breathe and do their job. Do you think they are going to it wrong deliberately? Of course they are not.

So I would urge Members to support this amendment. If the new team do not need it, they can quite happily hand it back and that is what used to happen in the old days. You used to carry over your unspent balances. Eventually, those were taken in, but when the centre – I will come onto more of this in my main Budget speech – holds everything, there is nothing left for the Department to do, but to rubber stamp what they have got. It is not a fixed price contract. It is a Budget, giving guidance of the direction of travel.

Thank you, sir.

The Bailiff: Deputy Lester Queripel.

Deputy Lester Queripel: Thank you, sir.

I am going to support this amendment, but I just rise to seek clarification from Deputy Bebb, please, sir, because Deputy Bebb –

The Bailiff: Well, he has spoken so he cannot speak again. **(Two Members:** No, you can't.)

Deputy Lester Queripel: Perhaps Deputy Dorey could clarify the point, then, sir.

Deputy Bebb said that HSSD fund the Convenor, but they cannot challenge the Convenor. I apologise to Deputy Bebb but I did not really pick up on what he said. I think he said that the office would be moved to another Department soon. So I wonder if that is going to happen. If it does happen then the new Department will fund the office, presumably, of the Convenor, which save HSSD somewhere in the region of £600,000, I believe. A clarification on that point would be appreciated, sir.

Thank you.

The Bailiff: I see no one else rising. So I invite the Minister for the Treasury & Resources Department to speak, Deputy St. Pier.

750

Deputy St. Pier: Thank you, sir.

As Deputy Brouard said, this is a Budget and therefore we do have to work with what we have got. No Department – as I have said in my opening speech to the Budget – did get its full request and, basically, as much funding as reasonably possible has been included within the recommended 2015 cash limit.

755

The note to the amendment includes a list of items, as we have seen, totalling just over £1.25 million, which Deputy Dorey is advising HSSD could not fund in 2015. I must clearly point out that it is not Treasury & Resources job and it has not and it would not tell HSSD how to prioritise its cash limit. That, quite properly, is a matter for HSSD to determine.

760

The speeches of Deputy Fallaize, Gollop and Brouard concerned me a little bit, in that they seemed to be suggesting that the current problems that were alluded to in the Minister's speech earlier, are entirely matters that are related to the Budget. There are clearly issues around leadership and culture and management which may or may not have Budget implications and we do not know that yet; but to suggest that all the problems of HSSD can be solved with a cheque book, I would suggest, is incorrect.

765

Deputy Fallaize also said that he considered it inconceivable that HSSD would be denied more funds if an evidence-based case is produced and I think that is probably correct, but we do not have that, I suggest, before us today.

770

Deputy Adam, quite rightly, pointed out that this list is not a ring-fenced list and I am not going to... It is not for either Treasury & Resources or indeed this Assembly to either give HSSD or indeed deny them funding for these particular projects. It is up to that Department to allocate and prioritise within whatever cash limit we determine and that, I think, is a job that is best left now to the new Board.

775

Having said that, just drawing into a couple of the examples that are cited, there is a reference to student nurses – an increased intake of £100,000. Well, clearly again, given the position of the NMC and given the position and the impact on the student nurses on the Island, whether that number remains remotely relevant: £150,000 for the Sexual Health Strategy that has not yet been approved; £120,000 for policy development. Again, I would suggest and we did suggest, when we spoke to HSSD about this, that those are issues that may well be considered by the Chief Executive in his consideration of where resources should sit for policy development across the States and that is very much the role of the head of government strategy and business.

780

Then there is also the Children's Convenor – £74,000 there. Now, the Children's Convenor produced a business case for more funds, which they sent to HSSD, on 7th August and I know this because the Chair of the Children's Convenor wrote to HSSD on 15th October, copied to myself and indeed to the Chief Minister and they said:

'The delay in considering the business case for extra resources submitted under cover of the Chair's letter of 7th August 2014. This letter has not even been the subject to formal acknowledgement. That seems to be in line with your Department's previous practice. Discussions with staff at HSSD give our projected budget spend for 2014 at £671,000 which is £134,000 above the amount currently proposed for 2015.'

785

So it bears no resemblance to the number that is before us here today. So I would suggest that the new Board need to get to the bottom of that and what they do actually require.

790

Sir, I am very happy to confirm to the new Minister, Deputy Luxon, to respond to his seeking of clarification from me, that Treasury & Resources will, as it has done, happily support, from the Budget Reserve, those items which are critical to the delivery of HSSD's services in 2015 and I am sure again that Deputy Dorey will be happy to confirm in his summing up that Treasury & Resources have indeed supported a request from the Budget Reserve, whilst he was Minister and with his board.

795

The point which Deputy Dorey and Deputy Brehaut have made – and Deputy Brehaut made it again, I think, yesterday; I think Deputy Bebb did as well – is that the problem with that, in their view, is that those are treated as overspends, because it is an increase in the authorised Budget verses the original Budget and that is mischaracterised and misrepresented in the media.

800

Now, that is a different issue about communication and how these issues are dealt with, but in terms of the availability of funds Treasury & Resources do have a track record – which I am sure Deputy Dorey will be pleased to confirm – of supporting cases for additional funds where the case is made and I am, therefore, happy and in a position to do that on behalf of the board of Treasury & Resources in response to Deputy Luxon's request.

Deputy Fallaize: I thank the Minister for giving way.

Could I just ask him to inform the States of the Budget – the proposed Budget Reserve was over £8.7 million – in terms of items which are not expected to recur, how much was drawn out of the Budget Reserve by Departments other than HSSD last year?

805 What I am almost seeking is whether we could have implicit understanding of the 'Budget Reserve (HSSD)' and a 'Budget Reserve (everybody else)'? Could he just give some idea of how much of the £8.7 million he thinks would be unavailable to HSSD because it will be used for other purposes? Even an indication would help.

810 **Deputy St. Pier:** Sir, I do not think I am in a position to that without referring back for detail, in terms of how funds have been spent this year, but of course the demands do change from year to year and I would expect there to be different demands on the Budget Reserve next year, but the Budget Reserve is smaller.

Clearly, I think if the Department were required to meet all of this next year, faced with a smaller Budget Reserve, it would be a challenge, which is one reason why – in fact, this was point I was coming
815 onto – the approval of the amendment would mean that the objective in the States' Fiscal and Economic plan of a real terms' freeze on aggregate States' revenue expenditure would not be met; because we have advised Deputy Dorey that we could not – in the same way as we did with the St. John Ambulance amendment – advise the States that this could be funded from the Budget Reserve, because it would leave too little left for possible demands elsewhere in the system.

820 The amendment, of course, reflects this by seeking to rebase the Budget for the whole States at a higher level and, of course, the objective of living within no real terms increase has been a keystone in successfully maintaining restraint in public expenditure over recent years and, in our opinion, we should not be departing from that lightly.

I think the States, in essence, does face a binary choice. We can either chose to breach that limit or we
825 can cut spending elsewhere and, indeed, if the States is minded to support this amendment, then I think that we should give the States that binary choice and, consistent with what we have said in paragraph 3.34, we should move a further amendment to finance the additional funding by means of a 1% reduction in budget for all other Departments, excluding the formula-led expenditure in the Education Department – to avoid the breach in the fiscal rule of no real terms increase in spending.

830 Now, of course, we may very well need to breach, to revise, that rule and to raise spending limits in light of everything else that is going on within HSSD. But I would suggest, sir, we should not be doing that lightly. We should be doing that on the back of a good evidence base, when all the options have been costed and looked at and we should not be doing it here today on the back on one side of A4.

In addition, the General Revenue Account Reserve is not a sustainable source of funding for an ongoing
835 expenditure requirements. It is there principally to provide a cushion against falls in revenue and whilst it could accommodate the impact in 2015, having raised the limit, this ongoing increase in the Health and Social Services Department's cash remit will necessitate either commensurate reductions elsewhere in other Departments or increases in income, otherwise the States' financial position will return to deficit in 2016. So there are some significant implications for this amendment.

840 So we have suggested that we should be undertaking a baseline review of spending for HSSD and we are starting to work on some terms of reference for that and it may be worth just sharing some of those with you and obviously we will need to agree that with the new Board; but our view is that that should include undertaking a thorough costing exercise of all current services provided by HSSD and including
845 identification and allocation of overheads to ensure that the full cost of services is understood, rather than just direct costs, to analysis what the drivers of those direct costs are, so that we understand the link between activity and costs, and to establish a fully evidence-based budget for current levels of service provision.

So those are some of the key elements that would then enable us to recommend an appropriate budget
850 for the Department for 2016, 2017 and 2018, based on that baseline. So that is the work which we believe ought to be done now, working with the new Board, that enables us to come back to the States and provide the States with the information on which they can make an evidence-based decision, enabling them to either make that decision to raise the limit on spending within the fiscal framework or not.

855 For that reason, sir, I do urge Members of this Assembly to reject this amendment, allow us to work with the Department and allow us to meet any additional cost pressures where we can through the Budget Reserve or return to the States next year, as I suspect other Departments are going to need to do, in light of other issues that have been addressed earlier today.

The Bailiff: Deputy Dorey will reply to the debate.

860 **Deputy Dorey:** Thank you, Mr Bailiff.

I think what clearly illustrates the situation with HSSD's budget more than anything is if I give you the
percentage increases. If you add the £1.25 million to HSSD's budget, that would represent a 1.78% increase
of budget over 2013 and 2.3% increase of budget over 2014. These are very modest increases in terms of
any Department in relation to healthcare. We have all heard how in the UK –
865

Deputy St. Pier: Sir, a point of order or point of correction. The numbers that, of course, Deputy Dorey is quoting is before any allocation for pay increases, which would be further significant sums.

The Bailiff: Deputy Dorey.

870

Deputy Dorey: I was going to say that, yes. I fully accept that they are before pay increases, but it does illustrate the extent of the growth in HSSD's budget is extremely modest and it is extremely modest in terms of when you compare it to any other jurisdiction and the increases that they are having to finance to deliver their health services.

875

There were some questions, I think, Deputy Queripel asked about the Children's Convenor, about if it moved Department. Well, the standard practice is if anything moves Department the budget goes with it, so it will not help HSSD if the Children's Convenor moves, because that budget will be moved from HSSD's allocated budget.

880

There seems to be some confusion about where this money will be financed from. We had a meeting with T&R – with the Minister and the Treasurer – and they said to us that we should ask for that money to be funded from the General Revenue Reserve Account and not the Budget Reserve. So that is why we proposed what we did. As I understood, the Budget Reserve is not the large and they did not want too many calls on that, because it would not be able to finance them. So the reassurance that has been given that the Budget Reserve can fund it, I do not think has as much robustness as perhaps Members might think, because we were told that it did not have sufficient money to finance expenditure like this.

885

Deputy Bebb started off by talking about the Children's Convenor, an independent office – yes, and Deputy St. Pier spoke about a letter we received. It was unfortunate that the Department did not immediately reply to it. If you can imagine the date that we received it, it was the beginning of the allocation of staff time to the problems in maternity and it is unfortunate that we overlooked that letter. They have sent a follow up letter which we have replied to.

890

I suppose the situation reinforces the point that this is not a shopping list; it is illustrative of what we identified at that time needed to be added to various budgets, but there has been a lot of talk about businesses cases, ring-fencing – this is illustrative. We have gone through a very detailed process and I suppose this follows on from the comments from Deputy Gollop: a bottom up process with staff. We have improved our financial management considerably. If you saw the financial reports which are currently seen at the HSSD board, they bear no resemblance to what they were when I started at HSSD. We have put a lot of time and effort; following the SAP-wide procedure, we have done bottom up process; we have analysed throughout the Department what budgets are needed. Those budgets have then been challenged, been checked and that is how we arrived at the number we do. It is a very robust and good process which I, personally, think is the best way of ascertaining what is needed to finance our service.

895

As Deputy Gollop said, we have a win-win situation, because if the new Board do not think they need this money, then they will underspend. Excellent. If they underspend – most other Departments underspend and have budgets which are greater than they need – then that is fine. As Deputy Brouard defined, it is not an exact science budget. It is a direction of travel. It is not a fixed price contract.

905

Deputy Fallaize asked: will we have an adequate budget? Well, based on what we currently know and based on, as we prioritised, what we need to deliver, yes, it will be, but we know that things will change and there is one point of our budget submission which we have not referred to – is what we asked for was a £2 million contingency to be added to our budget above this, so that if emerging costs were identified we could then pull on that reserve. The idea is it would be double locked, so it would have to be that HSSD and T&R agree to draw money from that reserve.

910

We were trying to avoid the situation where we constantly rely on the Budget Reserve. I do not think that is a good way of budgeting. We should come into this Assembly giving Departments a realistic Budget that they can deliver their services with. I do not know any other Department that go into the Budget process with an idea that, 'Oh, you have got the Budget Reserve to use.'

915

We have gone through a very detailed process. We have identified services where we believe there are serious risks, where we need to spend the money and we were just not able to deliver our services within the limit that T&R have said.

920

Deputy Jones simply asked about policy development. Well, one of the most frustrating points at HSSD is that we draw up an operations plan, but our ability to deliver them we just do not have. I was at Social Security before and the staff we had available for policy development was far greater at a far smaller Department, like Social Security, than at HSSD. We need to have staff in order to be able to progress development of our policies and we just do not have it. Our staff are so committed to service development, there just are not any staff which are available. I do not think that is an acceptable situation. That is why we cannot progress our operations plan at a rate that I believe is acceptable. So that is why we have included that money within our list of items.

925

930 Deputy Luxon talks about business cases. Well, budgets are not businesses cases. Where else do you see a business case for everything else in the Budget? There is a considerable increase for HSSD already from the starting point. There is no business case for those items. We have obviously put a clear case to T&R of what we need to do and they are very aware that our head of finance is a business partner with T&R and we have gone through this process to identify what we need to spend.

Deputy Luxon: Point of correction, sir.

935 Isn't that exactly what a business case is – what Deputy Dorey has just described; the business case that he was criticising me for thinking that we needed? He has just described the business case given to T&R.

The Bailiff: Deputy Dorey.

Deputy Dorey: I took a business case to be a more detailed document. Well, therefore, we have set out business cases for all the items then, to T&R and that is how the process, I understood, works.

940 Deputy Le Tocq talked about doing it in a holistic manner. We have. We have gone through all our staff, with all our service areas. We have looked at what we need and they identified what we need. As I said in my original speech, it identified £116 million. So we have challenged that, we have analysed it and we brought it down to £114.1 million.

945 I do not think people realise, when we sat round the table at HSSD, the number of times during the year where we get papers which involved increased expenditure and we have to make some really difficult decisions. We are often in the situation where, unless we support those, there could be legal challenges to the Department. We have identified... for example, in relation to flu vaccines. So we had a very good case. We went to T&R and they said the amount was too small and they would not add it to our budget and Budget Reserve.

950 So the Budget Reserve process, I do not believe is the right process. I believe we should give Departments a budget which they can deliver their services and if, as Deputy Gollop says, they underspend, we have a win-win situation, but to start off the year with a budget for a Department that they do not believe they can meet, we are just fooling ourselves. We have to be realistic and give a Department a reasonable chance of coming in on budget and not having to go to Budget Reserve or General Revenue Account Reserve as we were told to.

955 So, I would urge Members to support this budget which I believe is realistic and we have given an illustrative list of the items that we need and hopefully the new Department has a fair chance of delivering and of coming in on budget with these proposals.

Thank you.

960

The Bailiff: Just before we go to a vote, Deputy Gillson, do you wish to be relevé?

Deputy Gillson: Yes, please.

965

The Bailiff: Yes.

A Member: A recorded vote, thank you, sir.

970 **The Bailiff:** A recorded vote. Well, Members, you are being asked to record your vote on the amendment marked F proposed by Deputy Dorey, seconded by Deputy Brehaut.

There was a recorded vote.

975 **The Bailiff:** While the votes are counted, Members, we can move on with the next amendment which is marked G, if Deputy Sillars wishes to lay it. Do you wish to do so?

Deputy Sillars then do you wish to open the debate?

Amendment G:

1. To insert an additional proposition between Propositions 39 and 40 as follows:

'39A To note that since 2012, and in accordance with planned preventative maintenance for elemental refurbishment of Les Beaucamps High School as agreed at the time of the redevelopment of the school, the Education Department has received a specific amount of £175,000 per annum; and to note that the Treasury & Resources Department fully supports the Education Department in its plans to ensure that the school is maintained appropriately in order to maximise its useful life and deliver optimum value for money in return for the substantial capital sum expended; and, therefore, to direct the Treasury & Resources Department to continue to allocate for this purpose £175,000 per annum in subsequent years

in addition to the Education Department's net routine capital expenditure budget; and to direct that in the 2016 Budget Report the Treasury & Resources Department, after consultation with the Education Department, shall set out proposals regarding the appropriate governance of and access to the aforementioned ring-fenced maintenance funds for Les Beaucamps High School.'

2. To add the following words to the end of Proposition 11: ', except that in respect of the Education Department's net routine capital expenditure cash limit the sum of £250,000 shall be replaced by the sum of £950,000, the increase to be funded by a reduction in the Budget Reserve, from £2,100,000 to £1,400,000.'

Deputy Sillars: Thank you, sir.

980 Why are we laying this amendment? Back in the 2010 Budget, it was agreed that the £175,000 per annum would be ring-fenced and put specifically towards ornamental refurbishments at the Les Beaucamps School. By this, I mean the maintaining and, when necessary, replacement of major building and plant elements. I was very pleased to see at that time that the rebuilding of Les Beaucamps High School and the States had at long last acknowledged the extremely poor reputation of maintaining buildings and was doing something positive to prevent this major asset falling into the same sorry state of repair in a few years' time, as some of the rest of our estates. Now we risk undoing that good and sensible solution.

985 Planning ahead for regular replacement and maintenance allows for time and finances to be effectively managed. The creation of a sinking fund had, for the first time, allowed us to consider with some confidence that the costs associated with carrying out major repairs and replacements, and when they were needed could go ahead without effecting the other Department's capital schemes or finances. I am sure other departments welcome this.

990 This approach makes perfect sense. This, at the time, was the way we would go for all our projects. So what has happened? For three years, £175,000 has been put aside, so some £525,000 has accumulated for the future maintenance of Les Beaucamps School, up to and including the 2014 Budget. We do not want this sum mixed up with other sums. All that will happen then is that Peter will be robbed to pay Paul. That is why the States agreed to a separate annual contribution.

1000 Education has an annual revenue maintenance budget for smaller repairs to its 25 school sites and for larger projects it uses its routine capital allocation. We have an estate valued at £450 million. These are assets that need to be maintained. Just a few years ago, we regularly had allocations of £1 million per year for routine capital. Even with this allocation, the backlog of larger work was always £2 million to £3 million, in excess of our £1 million allocation. There will always be backlogs and a need to prioritise the most urgent works, but I know my staff do the best they can with the limited resources they have to make our school a safe and pleasant to learn.

1005 T&R are now wanting, without any notice or consultation, to reduce last year's routine capital allocation from £750,000 to £250,000 for the year 2015 to support £450 million of fixed assets. T&R know, quite rightly, that £250,000 would be a seriously deficient allocation and so there is a not so cunning a plan to fix the problem. I use the word 'fix' quite deliberately. It is a fix – a fix of the absolute worst kind.

1010 T&R are proposing that we should relinquish Beauchamp's ring-fenced sum of £525,000 to supplement our much reduced routine allocation this year. This effectively ignores what the States attempted to achieve in 2010 in setting prudent measures to maintain its newly built assets going forward. There will not be a sinking fund going forward if this Budget goes through unchanged. You will also have noticed that they are not giving us the £175, 000 that should have gone into the Beauchamp fund for 2015. The Budget is silent on this fact.

1015 However, this amendment seeks to put us in the position we would have been had T&R not attempted to unravel the States' decision from 2010. Sadly, there has also been the inevitable backsliding. When is a Resolution not a Resolution? Seemingly, when it only requires T&R to take account of something rather than actually do something. However, in this instance, monies have been physically allocated by T&R for the previous three years and it seems strange, to say the least, for them to say that this is not therefore a resolution when they had previously acted on it.

1020 So, if I believe what I am told by T&R, this may or may not have been a States' Resolution back in 2010 and there is a question mark over this, but I think you will all agree it is a very sensible way to progress. It was a first – we were led to believe the first of many. Now we are being told it is only one and should be brought back into line.

1025 If, in the past, we had put money aside for maintaining specific projects, we would not be in the difficult position we are in today. Yes, I also want a balanced budget and I applaud T&R for trying to do this today, but, surely not at the extra funds for our future generations to have to find. T&R suggest that it would be possible to get more capital if you run short. The notion of running out of routine capital and maybe asking for more is a nonsense. We already have a sizable list of maintenance and improvement works to our schools which cannot be done, through lack of adequate funds.

1030 If the Budget goes through without this amendment, all this decision will do is condemn Les Beaucamps to the same fate as most of our estate. While it might balance the books from T&R's side, the dilapidation which will surely result, if this decision is made, is a serious concern. I thought we were about modernising our ways of working.

1035 Part Two of this amendment explains where the money should come from. This is only sensible and necessary. Education does not want to spend this money now on other schemes and find out later on that there are no funds to do the work on Les Beaucamps. That is the obvious consequence. Our suggestion is for T&R to keep the sum ring-fenced, earn interest on it and for Education to come to T&R as and when necessary, to prove the case for the works and keep the schools at an acceptable level and prevent it into falling into disrepair before it should.

1040 Going forward, we do need to have an adequate routine capital allocation. At least if we have got £700,000 to mend all our schools... We recognise that this is not enough, but we also recognise the difficult position the States are in, which is why we have laid what we believe to be a very sensible amendment. Please give us your support.

Thank you.

1045

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

Deputy Le Lièvre: I do, sir, and would like to take the opportunity to speak, if I could?

1050 *Amendment F by Deputies Dorey and Brehaut:
Not carried – Pour 14, Contre 32, Ne vote pas 0, Absent 1*

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Brouard	Deputy Perrot	None	Deputy Storey
Deputy Wilkie	Deputy De Lisle		
Deputy Burford	Deputy Inglis		
Deputy Brehaut	Deputy Soulsby		
Deputy Gollop	Deputy Sillars		
Deputy Sherbourne	Deputy Luxon		
Deputy Bebb	Deputy O'Hara		
Deputy Lester Queripel	Deputy Quin		
Deputy Le Pelley	Deputy Hadley		
Deputy David Jones	Alderney Rep. Jean		
Deputy Lowe	Alderney Rep. Harvey		
Deputy Le Lièvre	Deputy Harwood		
Deputy Green	Deputy Kuttelwascher		
Deputy Dorey	Deputy Domaille		
	Deputy Langlois		
	Deputy Robert Jones		
	Deputy Le Clerc		
	Deputy Conder		
	Deputy St Pier		
	Deputy Stewart		
	Deputy Gillson		
	Deputy Ogier		
	Deputy Trott		
	Deputy Fallaize		
	Deputy Laurie Queripel		
	Deputy Spruce		
	Deputy Collins		
	Deputy Duquemin		
	Deputy Paint		
	Deputy Le Tocq		
	Deputy James		
	Deputy Adam		

1055 **The Bailiff:** Just before you do that, can I just formally announce the result of the voting on amendment F: 14 votes in favour; 32 against. I declare amendment F lost.

Yes, Deputy Le Lièvre, you may speak now.

Deputy Le Lièvre: Thank you, sir.

1060 Members of the Assembly, like all other Members in this Assembly I strongly support T&R's desire to produce a balanced budget. Of course, the word, 'balanced' does not, or at least should not, mean that there is a perfect balance between income and expenditure to the exclusion of all else. Balance can also mean that the budgeted expenditure reflects accurately the cost of providing a service that meets the needs of the community.

1065 Now, I am not an accountant, nor am I in the least commercially trained to run a business but, for what felt like an eternity but was only five years, I was manager of the Dairy and for most of that time was adrift on a sea of unwanted and unneeded milk. Unlike Jonah, who was thrown into the sea by his shipmates, I chose to jump and take my chances with the proverbial whale.

1070 However, I did learn one very important lesson and that was, in food manufacturing environment it was vitally important to ensure that your manufacturing kit was the best your could afford or even what you could not afford, because without it there would insufficient or no packed milk or no by product at the end of the day – which is not good for the bottom line and, worse still, I stood the risk, in under investment, of poisoning the whole population in one fell swoop. Now, that lesson, which has remained with me forever, was taught to me in by 15-minute training session with the outgoing manager and I have never forgotten it.

1075 In relation to the capital value of the Dairy, the investment in up-to-date manufacturing is very high and that is evidenced in today's Budget which shows the Dairy, once again, is investing nearly £1 million in routine capital expenditure, possibly as high as 4% of the capital value of the whole dairy estate or 12% of the overall annual production costs.

1080 Obviously, the annual routine capital expenditure in respect of Education's estate – or should I say T&R's Education estate – is never going to rank alongside the manufacturing unit but there is, nevertheless, the need to ensure that the level of capital reinvestment is best part correct.

1085 The parents of the 5,000 or so children in our care for six hours of day – that is 30,000 hours a day in total, 150,000 hours a week or five million hours a year in pupil/teacher contact, have a right to expect that their children are housed in accommodation that is dry, warm and safe and that the equipment they use represents the best available to ensure that their child's prospects of maximising their potential is not stifled by underinvestment.

1090 So what might a reasonable level of annual expenditure investment be in respect of an estate valued, as the Minister has said, at £450 million or just shy of £0.5 billion? Well, I think we can safely say it would not be 4%, because that would require capital expenditure at £18 million per annum and that would be ridiculously high. Neither would it be as high as 1% because that would require an additional £4.5 million, which is possible in one year, but highly unlikely.

1095 In truth, as the Minister has said, Education has been running at about one quarter of 1% and some years not even that much, due to a lack of adequate staffing resources to make these things happen. But in 2015 we are not being asked to run at one quarter of 1%, we are being granted one-sixteenth of 1% to maintain our estate, plus a deal on the side.

1100 Now, you do not need to be either an accountant or commercially trained to know that such a level of under investment leads down the unavoidable path of dilapidation and equipment, failure leading to the educational opportunities of some of our children never being achieved. It is the road to failure. So, even if our amendment fails today – and I suspect it probably will – it will be a marker for next year and future years that such levels of underinvestment are wholly unacceptable, not only from the point of maintaining our estates in good order but, most importantly, keeping our children, students and teachers in a safe, welcoming and modern environment that maximises their potential for learning.

Please vote in favour of the amendment.

Thank you, sir.

1105 **The Bailiff:** Deputy Conder.

Deputy Conder: Thank you, sir.

1110 I will not repeat what the Minister and Deputy Minister have said very eloquently. Like both of them, I strongly endorse the T&R team's endeavours to bring our Budget into balance – and I will speak more about that in general debate – and I think, like many others, we are reluctant to do anything that brings that into jeopardy.

1115 But, unlike Deputy Le Lièvre, I have to admit to being an accountant. I am actually a chartered management accountant. Our role is to manage the internal costs and maintenance of organisations that we work for. And one of the things I have learned in a long life of being responsible for finances of large organisations is that the failure to maintain is a very, very foolish route to take. It always costs you much, much more in the long term and I suspect, those of us who are not accountants know that anyway.

1120 Like the Deputy Minister, I am appalled by the very, very low level of maintenance. A sinking fund is a very good idea for putting reserves away to maintain buildings as and when they are needed and when that maintenance is needed and that seems to be a very prudent route to take and one which I have seen in other educational institutions.

To now waive that fund – in fact to wipe it out – in order to give an apparent uplift to the tiny, tiny capital maintenance budget that T&R have given to Education is, I would suggest, foolish in the extreme. We have two major campuses on this Island – the College of Further Education and Le Mare de Carteret – which gives stark testimony to the failure to maintain our education infrastructure.

1125 I think I have said it before in this Chamber, but never in my life, for 40 years in education and seeing other educational institutions in large parts of the western hemisphere, have I seen a school so badly maintained as Le Mare de Carteret – an infrastructure in which we expect our young people to spend five years of their life and the impact that has upon them, I think, is indescribable, as I think the building is – and we will come to that next month.

1130 But we have superb new buildings at St. Sampson's and Les Beaucamps and do we really believe that we...? What was the figure that the Deputy Minister used? 0.16% of the value is sufficient to maintain those buildings. Do we really want, in 10 or 15 years' time, Les Beaucamps to look like La Mare de Carteret does now? It is unbelievable we would allow that to happen.

1135 So, whilst I do feel somewhat uncomfortable in possibly jeopardising T&R's very noble aims, I think this is foolish in the extreme to allow a significant part of our estate to suffer the potential of underfunding for maintenance. It is the road to hell in terms of long-term support and maintenance of our infrastructure.

1140 So I think this one example of where being sensible now will be prudent in the long term. Restore this sinking fund. Do not allow this infrastructure that we have invested in and that we will invest in the future, to get to the state that our some of our existing schools that I have quoted have. So, colleagues, I would urge you, please support this amendment.

The Bailiff: Deputy Dave Jones.

Deputy Dave Jones: Thank you, Mr Bailiff, Members of the States.

1145 The Treasury Minister some time ago made the point that we did not want to drift back into deficit in 2016. Well, of course, if we looked at Income Tax rates in their proper variable rates, that would bring in quite a lot of money and we would not have to do that. But I have to agree with the last two speakers and the Minister of Education that this is actually a real false economy.

1150 When I first went to housing in 2000, no money or any significant amounts had been spent on properties at Housing for the best end of 40 years really, and the housing stock was in a shocking state; and we introduced a programme almost immediately to spend something like £7 million a year bringing our old stock up to modern standards and that included drains, roofs, wiring, replacing back boilers, windows, doors, fencing, a whole raft of improvements and including, of course, some eco stuff which was cavity wall insulation, loft insulation etc.

1155 A little while ago, a conversation with Senator Green, I think he is now, in Jersey – the ex-Housing Minister... they were looking for £100 million just to bring up their existing housing stock to standard. Now, by 2015 Housing will have its entire stock of housing in a state fit for modern standards and that has been done as a gradual programme.

1160 To go back to Education, when my children were at Beauchamp, there was quite a serious incident when one of the windows fell out into the playground below, which shows you the kind of lack of maintenance that had gone on in that school for many, many years.

1165 But we will pay for this in the end and I am beginning to feel, through this debate on the Budget, that this all about making sure that we close the deficit before the end of this term of office and it has got to do with forward planning and the real security of looking after our schools in terms of maintenance and that should not be.

Of course, closing the deficit is bound to be a goal of T&R and it has been applauded by many in this States; but the lack of maintenance has proved, certainly in Housing, to have been a false economy. It cost us millions to put it right and the schools will be the same and Le Mare de Carteret is due to be demolished and rebuilt, hopefully, but you cannot say that the maintained of our schools has been properly carried out over many years, considering the state that they were in. If you look at the old granite-built schools – the Boys' Grammar School – they were solid buildings which were probably maintained.

1170 So I believe that the level of funding must be restored in order to allow Education at least a fighting chance to carry out some form of maintenance programme on these schools and you have to remember Les Beaucamps is a new school, run down as a new school. The Grammar School is not new, but it is not that old in terms of buildings. So I hope you support this amendment.

The Bailiff: Deputy Fallaize and then Deputy Sherbourne.

Deputy Fallaize: Thank you, sir.

1180 I think in the first part of the amendment, the new 39A, the important words are that:

'... T&R, after consultation with Education, shall set out proposals regarding the appropriate governance of and access to the aforementioned ring-fenced maintenance funds for Les Beaucamps High School.'

1185 Perhaps the planning of maintenance of new capital projects has changed now, but what was put in place at the time of the redevelopment of Les Beaucamps was consistent with the planned maintenance programme which T&R was recommending at the time. Now, bearing in mind that we are talking about a school, perhaps with a life of 40 or 50 or 60 years, T&R's intention was that this amount of money would be put aside every year and, so committed to that policy have they been, that the very next term they are trying to abandon it and not make any alternative provision.

1190 Now, I just do not see how you can do that. I do not really care whether £175,000 is put in some sort of sinking fund. Of course, it is all an illusion anyway because there is not a cupboard with £175,000 in it for Frossard House that just keeps being added to every year; it is effectively an accounting exercise. But I do not really care whether this allocation is put aside, whether it is given to Education or whether it is kept by T&R or exactly how it is managed; but I do think that T&R should be required to set out how they are going to make provision for planned maintenance of Les Beaucamps before they seek to change the arrangements that were put in place at the time of the redevelopment of that school. So I think the new 39A stands.

1195 The words that Deputy Sillars and Deputy Le Lièvre want to add at the end of the Proposition 11, I take a slightly different view to the view I took over HSSD's revenue budget, because the difference is I do not think HSSD will live within their budget and I do not think they will not spend on essential services to remain within the authorised budget. The last HSSD committee that did that was booted out of office. Well, 1200 they were not technically booted out of office but they resigned a few minutes before they thought they were about to be booted out of office a couple of years ago – erroneously, I think, because I do not think that was the fate that should have befallen them. But that was what was going to happen to them or they feared that.

1205 I do not think the present HSSD will not spend on essential services. So I think the way in which HSSD's revenue budget is managed is totally different. The consequence of not voting for this amendment, because of the way that routine capital is dealt with by Departments, is that the Education Department simply will not spend the money on routine capital items.

1210 Now, what was proposed for 2014 and what was spent in 2014 – £700,000, according to page 82 of this 2015 Budget Report – already represents a significant cut on what the Education Department have spent on routine capital, historically. I can remember being on Education. Every year the list of routine capital items would be £2.5 million or £3 million and that would have to be cut down through an internal prioritisation process to around about £1 million or £1.1 million per year.

1215 Now Education is spending £700,000 a year. That is already a significant cut and T&R is proposing cutting that further to £250,000 in 2015. Quite frankly, if the proposal is to give Education £250,000 to maintain an estate of the value of tens of millions or hundreds of millions that they have to look after, quite frankly, you might as well take the £250,000 out of the Budget, stick it in the Budget Reserve and give it to HSSD to spend on their revenue account, because it is not going to do anything.

1220 It is virtually cosmetic and it could not be better timing because we are debating proposals to redevelop Le Mare de Carteret next month. Now, for those Members who have been around the school, we can see the effects of not maintaining buildings. That building is reaching the end of its life. It would be in a better condition today if it had been maintained properly and, historically, whenever the States have not been able to generate budget surpluses, the first thing they have cut into is maintenance of buildings and it is totally and utterly counterproductive and T&R is doing much good, I think, in this Budget. I commend their efforts to deliver a balanced Budget, but trying to do it on the back of cutting routine capital maintenance from what was, just a few years ago, over a million pounds to £250,000, to try and maintain an estate of tens or 1225 hundreds of millions of pounds is nothing short of bonkers.

Therefore, I will support this amendment.

1230 **The Bailiff:** Deputy Sherbourne.

Deputy Sherbourne: Thank you, sir.

I was reminded, with Deputy Jones' comments, about Les Beaucamps. It reminded me because I actually had just entered the school when that window fell out. So someone was smiling on me on that time.

1235 In 40-odd years involved with the Education Service, we have seen neglect – I suppose is the best way to put it – with regard to the maintenance and improvement to our stock. If it were not for the ingenuity and the hard work of our estate team, we would be in a worse position. They are well-led. They have good relationships with the staff at the schools that they look after and they do a tremendous job. They cut corners on occasions, I am sure, but without that effort we would be in a worse position now.

1240 I was really pleased with the concept of a sinking fund for one of our newest schools. Maybe it is something that should have been thought of a long time ago. Maybe T&R should have a sinking fund for all of its properties so that we can maintain them to the highest level.

1245 Deputy Jones mentioned the granite structures of the old buildings. Of course, times move on and those old buildings are not necessarily appropriate for modern needs, but they were built well. But even those buildings, with the replacement of slate, the roofing budget at the moment is quite substantial – with the replacement of lead and slate. It is an expensive business and to reduce our budget for the maintenance of these buildings, to me, is nonsensical. To actually remove that £175,000 from the sinking fund for this year does not make sense either. It was either a good idea or it was not. Do not let us change direction at this stage. I do understand that we are in a fiscally difficult position at the moment, but it is a false economy to cut back on maintenance.

1250 It will not surprise you that, as a Member of Education, I support this amendment, but I think it goes much wider than just Education. We are talking about a total capital asset in probably billions of pounds owned by the States. We need to maintain or sell those properties – that is the other option. Are we maintaining property at the moment we do not need? I am sure that the current review will take that into consideration.

1255 Please support this amendment. It was a logical step to take. It is illogical to change it now.
Thank you.

The Bailiff: Anyone else? No. Deputy St. Pier.

1260 **Deputy St Pier:** Sir –

The Bailiff: Okay. Deputy Gollop, I think, was standing.

1265 **Deputy Gollop:** Yes. I would just add to what Deputy Conder said earlier, because his argument that perhaps Le Mare de Carteret was the worst maintained school he had seen, I think, is an issue as regards to capital programme, because the debate we are likely to have next month might not have taken place in quite the same way if maintenance had been better over the years.

1270 I always imagine that it was an ambition of Treasury & Resources to, one day, change the accounts to factor in depreciation and if one did that and really had an accurate view of what the buildings were worth and what they would become worth in a variety of different scenarios, the amendment from Education makes much better sense. It does seem to me to continue to live on a cash-only basis and therefore defer the real cost of both replacement and refurbishment of the buildings is the wrong way to go.

The Bailiff: Deputy Lester Queripel.

1275 **Deputy Lester Queripel:** Thank you, sir.

1280 During my time working in the construction industry I worked on several of our schools and unfortunately the approach was, ‘Let’s spend as little as possible on our maintenance programme’, and the result of that was that many of our schools fell into states of disrepair, (*Laughter*) and this is exactly what this States cannot afford to become, sir – a States of disrepair, a States of non-repair.

So I urge my colleagues to support this amendment, sir.

The Bailiff: Now, Deputy St. Pier. Yes, I am sure this time.

1285 **Deputy St. Pier:** You are sure?

1290 Sir, we do oppose this amendment placed by Deputy Sillars, because it does seek to continue the 2010 anomaly of separately building up funds for the maintenance of Les Beaucamps School and it is an anomaly. I am not going to seek to defend the 2010 Resolution, or not, as Deputy Sillars described it. Deputy Sherbourne said it either was a good idea or it was not and I would say to him that it was not a good idea, for the reasons that I will now outline.

1295 Quite clearly, none of us would argue with a desire to ensure that our assets are maintained appropriately to achieve, of course, the best value over their lifetime; and this should be achieved by properly designed plans – prepared and costed plans – to carry out those works at the appropriate times and not through having a sum locked away in a separate sinking fund. The kind of problems that Deputy Fallaize described will not be solved by having a sinking fund; they are solved by actually spending the money in accordance with a well-designed spending programme.

1300 I will just say as an aside, I think probably that the 2010 Resolutions could probably have been discharged by T&R making a revenue allocation, but we chose to do it through routine capital and there is no suggestion that Education... The Minister referred to there being backlogs in Education’s maintenance, but there is no suggestion that that is resource-constrained in terms of financial resources available. If you look at the allocations and the spending pattern for routine capital within the Department for the last four

years, it would quite clearly demonstrate that financial resources are not the constraints. There may be other constraints preventing the delivery of the programme, but I would suggest they are not financial resources.

1305 So on 1st January 2011 the balance of routine capital available to Education was £439,000. On 1st January 2012, it was just over a million. In 2012 they spent just over £900,000. On 1st January 2013 the balance available was £622,000 and they spent £700,000. On 1st January this year there was a balance of a million and they spent £700,000 and anticipated, with the votes so far, probably a million will be spent this year.

1310 If the Budget is approved as unamended the balance available will not be £250,000 – which is what the Minister and indeed Deputy Fallaize was referring to, which is the annual allocation; the balance available will be £1,325 million, which is more than has actually been spent in each of the last four years, so the resource constraints are not financial resources.

1315 The Minister also suggested that making application to the Budget Reserve for routine capital was, in essence, unlikely. Sir, with respect, I think he was being a little disingenuous, because his Department has applied to that Reserve this year for £1.32 million, for GILE 2 which was approved from the Budget Reserve in respect of a routine capital allocation. So, again, Treasury & Resources has been supportive of cases where they are made. So there is no evidence to suggest otherwise, sir.

1320 So really the States, quite rightly, have a policy of funding expenditure at the appropriate time, either through routine capital allocations or as a Capital Reserve project and I can see no reason to treat Les Beaucamps High School any differently from any other school, including St. Sampson's High, including Le Mare – and there are no proposals to do it in respect Le Mare – or indeed any other of the States' 2,000 properties.

1325 It is a very bizarre situation that seems to have arisen for whatever reason and there is no good reason for it. The question of ensuring good maintenance is one which is in the hands of the Education Department, through its estates team, through good planning and good management and indeed the Department is invited every year to make application to the Department in respect of its routine capital allocation and I think it has been well supported in the last few years as has been demonstrated by what has actually been spent.

1330 Therefore, sir, I do strongly urge Members to reject this amendment.

The Bailiff: Deputy Sillars will reply to the debate.

Deputy Sillars: Thank you, sir.

1335 A few 'thank you's'. Thank you, Deputy Le Lièvre, Deputy Conder for your excellent speeches. Deputy Jones for your support, thank you. Deputy Fallaize, I agree, we do not care who looks after money; we need to look after the Education estate – that is what this is all about.

1340 Deputy Sherbourne, thank you. As an example, we have been talking about granite schools – we signed off just over, I think it was, £400,000 for one of our primary schools which is granite built to have a new heating system for the whole school. So these schools do need to keep on being maintained, whatever they are made of. Obviously, the less they are made of, the more we have to spend.

Deputy Gollop, thank you. I think I was doing something else, so I think I thank you for that. Deputy Queripel, thank you for your support.

1345 Deputy St. Pier – okay, 'anomaly'; no, it was not meant to be an anomaly; we were told that was the way to go forward and we believe it is a good idea and it is sensible. When you have your own home, you do these sorts of things. You maintain your home; you know you have got those costs. We do not have millions of pounds in our own homes and you put money aside if you can for keeping the house up to the standard that you wish it to be and we can walk around Guernsey and we see where those are not applied. It is very straightforward.

1350 The £175,000 – that was properly costed and that was why T&R agreed £175,000 a year as part of the whole strategy for Les Beaucamps; so that was agreed at that time.

We are trying to live within our budget. It is a combination of not having enough staff. So where we talk about the actual small capital projects within our... Yes, we spend about £700,000 and, as I said in my speech, we know that is not enough, but we also know we are not awash cash, so we try and stretch it as far as we can; we are trying to be prudent but actually it is as much about not having more money.

1355 We also have a very hard working estate's team that Deputy Peter Sherbourne alluded to, which we all accept and know. They do a great job, but we do not have lots of them to be able to do more of the maintenance we would like to do.

1360 The other problem we have is the larger projects can only be done in the summer, because that is when we have the long recess for the holidays. So we are very limited to really when we can do major works within the schools and the other compounding problem is that building companies often have summer off as well. So often we cannot get builders in at the times we need, when the schools are shut. So it is a combination of that.

GILE 2 well, yes, we did work closely together to that and we did deliver it and I am happy to say it has been quite a success, but we will come onto that another day, I expect.

1365 So we are not saying we do not work with T&R. We do work with T&R and we have worked very closely and we have had a good reputation up to now, working closely together. But, coming back to this amendment – I am just going to cut it short – please support us for this amendment. It is for the future of Education, but actually it is all for the maintenance of £450 million-worth of assets that, as Deputy Sherbourne said, were not actually T&R’s anyway.

1370 Thank you.

The Bailiff: Members, we vote now on the amendment marked G, proposed by Deputy Sillars, seconded by Deputy Le Lièvre.

1375 **A Member:** Can we have a recorded vote, sir?

The Bailiff: There is a request for a recorded vote on amendment G.

There was a recorded vote

1380

Carried: Pour –25, Contre 20, Ne vote pas 0, Absent 2

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Brouard	Deputy Perrot	None	Deputy Inglis
Deputy Wilkie	Deputy De Lisle		Deputy Storey
Deputy Burford	Deputy Soulsby		
Deputy Sillars	Deputy Luxon		
Deputy O’Hara	Deputy Hadley		
Deputy Quin	Alderney Rep. Jean		
Deputy Brehaut	Alderney Rep. Harvey		
Deputy Robert Jones	Deputy Harwood		
Deputy Le Clerc	Deputy Kuttelwascher		
Deputy Gollop	Deputy Domaille		
Deputy Sherbourne	Deputy Langlois		
Deputy Conder	Deputy St Pier		
Deputy Bebb	Deputy Stewart		
Deputy Lester Queripel	Deputy Ogier		
Deputy Gillson	Deputy Trott		
Deputy Le Pelley	Deputy Spruce		
Deputy Fallaize	Deputy Duquemin		
Deputy David Jones	Deputy Paint		
Deputy Laurie Queripel	Deputy Le Tocq		
Deputy Lowe	Deputy Adam		
Deputy Le Lièvre			
Deputy Collins			
Deputy Green			
Deputy Dorey			
Deputy James			

1385 **Deputy Lowe:** Sir –

The Bailiff: Deputy Lowe.

Deputy Lowe: – while the votes are being counted –

1390 **The Bailiff:** They have been counted.

Deputy Lowe: Alright then. (*Laughter*) Shall I wait?

1395 **The Bailiff:** The result of the vote on amendment G was 25 votes in favour and 20 against. I declare amendment G carried.

I was going to move onto amendment H, but –

1400 **Deputy Lowe:** I was just going make a suggestion that perhaps we could consider before 12.30 p.m. to maybe put to Members to shorten the lunch break (**A Member:** Contre!) (*Laughter*) and maybe stay until later, because we are not even half way through the amendments yet, sir.

The Bailiff: Let's wait and see where we are at 12.30 p.m.

The next amendment in the bundle is the one marked H. Deputy Dorey, do you wish to lay it?

1405 **Deputy Dorey:** Yes, sir. I would like to debate H, I and J altogether.

The Bailiff: H, I and J altogether – fine. Thank you. Please move all three, then.

Amendment H:

For Proposition 21 to substitute:

'21. To approve the closure of the Contingency Reserve (Tax Strategy) on 31 December 2014 with £15,000,000 transferred to the General Revenue Account Reserve and the balance transferred to a newly established Core Investment Reserve'

Amendment I:

In Proposition 22 for '£7,000,000' to substitute '£5,000,000'

Amendment J:

In Proposition 23 for '£25,000,000' to substitute '£10,000,000'.

Deputy Dorey: I will speak about all three of them in my opening speech.

1410 Firstly, I wish to thank Deputy Domaille for seconding them and remind Members that between us we have been on T&R for eight and half years.

Amendment I moves £5 million from the Contingency Reserve Tax Strategy to the Economic Development Fund, instead of the proposed £7 million.

1415 Amendment J moves £10 million from the Contingency Reserve Tax Strategy to the Transformation and Transition Fund, instead of the proposed £25 million.

1420 Amendment H moves £15 million from the Contingency Reserve Tax Strategy to the General Revenue Account Reserve and the balance of the Contingency Reserve Tax Strategy – that is £24 million – is transferred to the Core Investment Reserve, instead of the proposed £22 million to the General Revenue Account Reserve and nothing to the Core Investments Reserve, or what we currently know as the 'Contingency Reserve'.

So the purpose of these amendments is to move a reasonable sum of money to the free funds Economic Development Transformation Transition and the General Revenue Account Reserve and transfer the remaining money to the Contingency Reserve which is to be renamed the 'Core Investment Reserve'. I apologise for lots of names, but hopefully Members are following.

1425 One of the Zero-10 Propositions in 2006 was to use up to half the Contingency Reserve. So I – as I was there during that debate – and I am sure most people would, therefore, have expected that what was not required to fund deficits would have remained in the Contingency Reserve, because the original Proposition was to use up to half – not half; *up to* half – and not, as has been proposed by these Propositions, to use the Contingency Reserve for other purposes.

1430 T&R, in my view, have not justified the amounts that they are proposing to move to these funds. It seems the only justification is to use all the money that is left in the Contingency Reserve Tax Strategy, which was half the Contingency Reserve in 2006. So we have tried to base our numbers on some logic, with the idea in the background that if the amounts are not sufficient then the funds can always be topped up in future years. In fact, Deputy St. Pier said in his opening speech, 'They would last for several years'. That was the quote, I believe, he used. But we do not know how many years. On page 47, which has the three-year budgets, informs us that they expect there to be a surplus in 2017 of £3.7 million which can be used to top up the funds if it became necessary.

I now wish to speak on each of the funds and I will be brief.

1440 Economic Development Fund. The Strategic Development Fund was set up in 2013 Budget Report and in two years Commerce & Employment have only proposed using £2.1 million of that fund; so £5 million seems a very generous amount. Also Members need to remember that C&E have £3.3 million revenue budget for economic development in their normal budget and £2.7 million for marketing and tourism.

1445 The Transformation and Transition Fund. In 2009, £10 million, plus £750,000 from the Reorganisation Fund, was used to finance the delivery of the FTP programme for five years, which will deliver around £31 million worth of savings. I do not understand why £25 million is needed now and I think a reduced amount of £10 million is more than adequate. It also will benefit from the Fundamental Spending Review Fund, plus £800,000 from the Strategic Development Fund.

General Revenue Reserve. The General Revenue Reserve was reserves that we had for many years, but obviously when we went to a deficit the money in that fund was used to finance the deficit and it has been

1450 left at effectively a zero balance, although it carried some balances of unallocated capital allocations. This seems to have been used to pick up the balance of money left in the Tax Reserve.

1455 Paragraph 5.13 mentions £10 million to fund the delay in the delivery of the residual balance of FTP targets. We have added a further £5 million to give it some flexibility and cover the £4 million needed for this year's deficit. We do not know when we will need the Contingency Fund and when that real rainy day arrives and when you look at our economic growth and our unemployment rate, we have not really had rainy days, although we have used up considerable amounts of our Contingency Reserve over the last few years. But I want to keep that money there in the Contingency Fund and not transfer amounts out, that cannot be justified, into various other funds. We will never know when we needed it, but I think we regret just spending it now for, I do not think, good reason.

1460 So £24 million will be added to the Contingency Reserve, which is to be renamed the 'Core Investment Reserve'. The proposals will put no money from what was the Contingency Reserve... keep it in the Contingency Reserve. So, effectively, we are moving money out of the Contingency Reserve when it should be kept there, in line with the original amendment to use up to half of the Contingency Reserve.

1465 Finally, sir, there are three separate amendments so, if Members feel that they still want to put £7 million, for example, in the Economic Development Fund, they can vote against that – they do not have to vote for that amendment – but I would explain fully when summing up about the possible ways of tactically voting at the end of the process.

Thank you.

1470 **The Bailiff:** Thank you. Deputy Domaille, do you formally second all three amendments?

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

The Bailiff: Thank you.

1475 Deputy Stewart.

Deputy Stewart: Mr Bailiff, fellow States' Members, I will talk mainly against Proposition I, but obviously they are all linked.

1480 I think the comments about C&E... and I think it is probably useful for me to explain where Commerce and Employment are.

The first two years – (*Interjection*) Exactly, we are on Raymond Falla House. (*Laughter*) Yes, I have not been up there recently, but perhaps if Deputy Dorey had visited Raymond Falla House and actually spoken to us, we could have explained exactly where we are with Economic Development.

1485 Acting off the back of the Oxford Economics report – which was the biggest piece of work done on our economy for a very long time by the previous board – we then developed that with workshops to end up with an economic development framework with four key objectives and 27 strategic objectives. And that was a very good and valuable piece of work. It went largely unnoticed by the media, because it is not as easy to talk about something as complex as our economy.

1490 Where we are at the moment is we have already secured something that we saw was a real need – and I thank this Assembly for voting it through – which was extra money to promote Guernsey Finance and to develop the new markets. We have also been working in the background and the money has been approved in principle – up to £1.5 million – to bring in an innovation centre. It is around digital, but not exclusively digital and is something to help start-up companies and to develop our digital initiative. That brings us to £2.4 million.

1495 Now, working with that economic development framework is the right way to go about this, because we do not go willy-nilly throwing taxpayers' money at anything we all happen to think is a good idea. This is about fulfilling strategic objectives which have been properly researched and discussed with industry.

1500 If we look at the sort of things now that we have to work on, because Guernsey has that opportunity to be nimble, we do have to change and technology is changing a huge amount of things, not just within the digital world, but for everyone – whether you are a plumber, whether you are in finance, wherever you sit now, that technology affects you and there is a huge amount of work to do in that.

1505 It is not just that; it is about investing in our legal framework, speeding that up, creating opportunities for the work that we have done around image rights, foundation law, LLP law. These are quite dull things for the media, but hugely important for corporate service providers and people wanting to set up structures in Guernsey. That is where we need to invest more money.

And if I look across the way there at my colleague in Culture & Leisure, some of the things we are looking at in tourism – and I have discussed it with Members of his Board, in particular, Deputy Duquemin – looking at developing our attractions, keeping them modern. That, again, is investing in our tourist industry. What we are doing with our current budget, that we have within our cash limit is tourism, is just

1510 creating awareness. There is no spare cash to look at new initiatives of improving the information centre, working with Culture & Leisure in developing new attractions for our tourist industry, for example.

1515 And looking at our air routes. There has been a massive amount of work done and we have managed to do as much of that as we can within our existing budget, without dipping into other funds. We are now at a point when, for 2015, we will have to start to look at: do we pump prime some routes? Do we start looking at a European Route? What would be the economic development of that?

We are yet to have those discussions around Commerce & Employment, but the evidence gathering has already been done and there is a huge amount of work that we have to look at in terms of not just our digital connectivity but our physical connectivity. All of these things will help to stimulate our economy, but they have to be looked at carefully and it is not a quick grab for our £3 million Strategic Development Fund.

1520 Jersey, across the way there, is looking to steal our lunch, as is Malta, Gibraltar, the Republic of Ireland, Luxembourg and all these other places. Their budgets for economic development are four, five, maybe ten times – in terms of Luxembourg, probably 20 or 30 times – more than we can possibly muster; but that £7 million just represents 0.35% of our GDP in one year, and this is for three years. At the moment, our current growth is just 0.5%.

1525 Now, the other side of the Pension, Tax and Benefits Review and the other side of that argument is economic growth. We do not have large sums of money and £7 million, in the whole scheme of things, is not a massive sum of money, but if we are not prepared to do at least some work to enable both indigenous businesses to grow – to give them some encouragement, to look at promoting what we do with our innovation centre and our digital offering overseas and start to look at having a digital promotion agency, such as Jersey... if we do not have a Locate Guernsey... Locate Jersey is a fantastic model and it pains me to see how many businesses they are now attracting. We need to start to set up something like that.

1530 If we do not have a reasonable amount of money and if we all want to cut that back... and I notice that some of these Members have voted for nearly every single Proposition here that has come before us so far to the Budget and I would like to ask you, if we are not going to get that from economic growth and if we are not going to pump prime it, where do the Members, sir, think we are going to get that money?

1535 If we do not promote economic growth, even in... Well, I believe £7 million is a modest sum. If we do not promote that, then there is only other place it is going to come from and that is, as Deputy Darren Duquemin says, everyone else's pockets. And none of us here want to see additional taxes, whether it be TRP. We have heard all the arguments and no one wants to run headlong into GST. But if we continue to spend and do not at least invest modestly in some form or economic growth, then that is the way we are going to go; because it is inevitable. We have got to balance our Budget. If we do not balance our Budget, we will borrow the money – 'Oh, we do not want to borrow'.

1540 So either we, as the States of Guernsey, start to give confidence and start to pump prime some real initiatives which are ready to go as far as we are concerned now at Commerce & Employment... The hard work of that economic development framework, the financial sector strategy has been done and it has been a very thorough piece of work.

1550 We see ourselves now in an implementation phase and so, hopefully, business plans will be coming forward to look at that £7 million. And this is not just about Commerce & Employment; I am sure my friends at Culture & Leisure have some really good ideas to develop some of the attractions and some that Deputy Duquemin and I spent an afternoon discussing round my house about ways that we could work better and develop more modern attractions – our culture, our castles, our museums – to make that more of an offering for our tourists.

1555 Without a decent size fund, we will just stall. So I do ask Members, please, do not reduce that to £5 million; let's keep it at £7 million. It is way below what any other of our competitive jurisdictions have and we are ready to go now with some really exciting initiatives for the rest of this term, to try and stimulate the economic growth that we so badly need.

Thank you.

The Bailiff: Deputy Gollop.

1560 **Deputy Gollop:** Sir, I always agree with Deputy Kevin Stewart's enlightened view to business growth. Perhaps the only minor point I take issue with is, although it is galling when we see Jersey develop a new business to attract new entrepreneurs, do a new hub, in a way it benefits the Channel Islands as a whole and we have to look at it like that. But I certainly do not relish the thought of new States' Members in Jersey taking my lunch, (*Laughter*) to use his expression, but... I had a lunch at the cricket match, but we will not go into that.

No, but, more seriously, I can see that this amendment comes from a fiscally conservative, good old Guernsey tradition of allocating your money wisely and not being, what I would call, innovative with taxpayers' money – risky. It is perhaps a risk-adverse amendment. It is cautious. But I actually will go with

1570 the message of Treasury & Resources, the Policy Council and Deputy Stewart, because I think there are a lot of opportunities there with Culture & Leisure, Commerce & Employment, creatively.

1575 Where I think this amendment and some of its successor amendments have a point, is I do not think the Policy Council and Treasury & Resources have put their case across so far terribly well. They have not treated ordinary Members with too much respect. We were given a quick presentation, a few paragraphs of this Report. We are allocating more money than two or three Departments combined with no specific details of a business case – to quote Deputy Brehaut – of ideas that we can take to the electorate and say, ‘We are going to do ...’ It is vague. It is almost a form of executive government because they are kind of saying, ‘Trust me. We are Treasury & Resources and we will allocate the money and delegate it according to the Departments.’ It is almost as if they have gone to the review of government before we have got there and I have concerns about that.

1580 But the principle that we are now at the right time in the economic cycle to seriously invest in our future, make our tourism offering even better, make our e-commerce offer even better, make our business offer even better and have money to ensure we have transition of core matters like, for example, improving the HSSD budgetary process, SWBIC, SLAWS and so on, has to be the right one.

1585 So I will trust Treasury & Resources and I hope I do not live to regret it.

The Bailiff: Deputy Domaille.

Deputy Domaille: Thank you, sir.

1590 Actually, I thought Deputy Gollop made some good points in favour of voting for the amendment, but we will come to that in a minute.

1595 Firstly, as I said, to me it is disappointing that important issues, including those surrounding the proposed Core Investment Reserve, the establishment of the Economic Fund and the Transformation Fund have not been the subject of a States’ Report and actually, to be honest, everything that Deputy Stewart has said would have been in a report that we could have considered properly. So I think that is just bad practice and to wrap up such important issues into the Budget debate, particularly given the absence of necessary and supporting information to justify proposals and the short time between publishing the Budget and this. I just do not think that is any way to be approaching important issues as this, which *are* the future of the Island. There I do agree with Deputy Stewart. (**A Member:** Hear, hear.)

1600 All that said, I welcome the statement that the Core Investment Reserve is specifically for exceptional and specific circumstances and will be subject to States’ approval. I also welcome the review of the investment strategy and the stated aim for the reserve to equate to 100% of annual expenditure, although the current proposals fail to begin this process and we will have more of that later, no doubt.

1605 Although the establishment of the Economic Development and the Transformation Fund may, in principle, be reasonable and we all agree with putting some money by for this, the supporting information, as I said already, is weak. In presentations the Treasury Minister has stated the sums are nothing more than an educated assessment of the sums that may be required. Deputy Gollop has already made the point that actually the information in the Report is scarce. There is no supporting analysis. There are no criteria or indications on important elements on proposals, regarding safeguards, returns expected, targets, timescales, monitoring processes, risk minimisation. The terms for and the repayment of funds and an individual States’ report would have had all of this and more, and it is the sort of information we need.

1610 Perhaps an even bigger concern is the proposed transfer of funds from the Tax Strategy Contingency Reserve to the General Revenue Expenditure Reserve. I get confused with all these terms – I do not know if everybody else does?

1615 While the transfer of funds from the Contingency Reserve Tax Strategy has been approved by the States each year as part of the Zero-10 initiative that has been on the basis of making good identified shortfalls in tax revenues. What is now being sought approval to transfer the remainder left in the Reserve, in part to fund our failure to meet FTP targets in the time and, in part, in my view at least, because it happens to be there. In this regard, it was noticeable the Report does not provide any information with regard to the existing balance in the General Reserve or the General Revenue Account Reserve, or the projected balances for 2015.

1620 According to the 2013 accounts, the General Reserve balance at the end of 2013 was almost £100 million and the General Revenue Account element of the Reserve stood at over £10 million. The average for the General Account Reserve balance for the years 2010 to 2013 was approximately £15 million. This is the £15 million we are talking about in our amendment. Just to set an idea of is it appropriate? Is it reasonable?

1630 Sir, these amendments replace the over-generous and unsubstantiated proposals and propose the transfer of £15 million to the General Account Reserve – a lot of money; £5 million to the Economic Development Fund; £10 million to the Transformation and Transition Fund; and the remaining £24 million within the Tax Strategy Contingency Reserve to the Core Investment Reserve. These are significant sums and are

sufficient for meaningful initiatives, including those Deputy Stewart mentioned this morning, to be undertaken.

1635 It is worth noting that the additional £15 million to be transferred to the General Revenue Account Reserve will be in addition to any surplus funds that remain in the General Revenue Account Reserve. It equates the average end of year General Revenue Account Reserve balance and is more than sufficient to cover the £10 million delay in delivering FTP savings.

Importantly, these amendments begin the process of rebuilding our rainy day reserves – some people do not like the term ‘rainy day’, but it means what it means to me – a stated aim within this Budget Report. Within this Budget Report, it is an aim.

1640 Sir, these amendments are proportionate and are necessary improvements to the proposals and I ask Members to support them.

Thank you, sir.

The Bailiff: Deputy De Lisle.

1645 Sorry, Deputy Perrot, first. He caught my attention. Deputy Perrot, then Deputy De Lisle.

Deputy Perrot: Well, this is the second time in two days that I have risen to my feet as a result of something said by Deputy Gollop. (*Laughter*)

1650 Yesterday he was being kind and considerate about the elderly, but today I am stung into getting onto my feet because of the remarks which he has made about Treasury & Resources. He says it is some sort of executive government.

1655 I have been struggling to say something which accords with civilised debate (*Laughter*) in this Chamber. We must all respect each other. Deputy Gollop speaks frequently, but often very sensibly and he will look at both sides of a question. In fact, I think Deputy Gollop ought to have eyes on the side of his head rather than in front of him because he looks both ways on absolutely everything and you never know which way he is going to go until he has, actually not even finished speaking, until he votes.

1660 So what do I say in response to his assertion that Treasury & Resources are guilty of some sort of Executive Government. Well, being as civilised and gentle as I can, I think it is *utter bilch!* It is tosh! Treasury & Resources exists to look after the finances of this Island on behalf of the States of Guernsey. It does not look to be an executive arm of Government. What it has to do, of course, is to listen to other Departments. So it has to listen – sometimes not fully in receptive mode, but it has to listen – for example, to Deputy Stewart (*Laughter*) when he is talking about the problems facing Guernsey and facing Guernsey’s industry; and they are immense!

1665 We have people who wish us harm. They wish our financial services industry harm. Now, I know it is a convention in this Chamber that Deputy Dave Jones and I will be sneered at for the alarm we raise all the time about these outside agencies, but people wish us harm. The EU wishes us harm. The OECD, if it does not wish us any harm, I am not sure that it actually wishes us any good.

1670 How does that translate into reality? How it translates into reality is that the wretched regulation which is imposed up on our financial services industries make us no longer as competitive as we used to be and that is why would get a bleat from Deputy Stewart that we need more money to encourage different industries to come to this Island; and he is right in doing that; he is right to look elsewhere than purely in the financial services industry.

1675 Of course, we want to keep our financial services industry. We have a core of excellence in a number of areas: in fund administration, in captive insurance, in trusts, in trust administration, in – dare I say it – legal services, in accountancy. We want to keep all of these areas of excellence, but we have to accept that we have got to broaden the base of our industry and that is one reason why we need to put money into an Economic Development Fund. So we are not doing it just because we think we are executive government, we are doing it because Deputy Stewart, quite rightly, is asking us to do that.

1680 I am actually a bit agnostic about the amounts. Inevitably it is a cockshy. We do not know, but Deputy Dorey does not know any more than I do or the Treasury Minister does, what actually is the correct amount, so we have given you suggested amounts.

1685 What I can say, in relation to the Transformation and Transition Fund is that, quite apart from the EU and the OECD and all the other usual suspects who wish us harm, we have got another war on our doorstep and that is the war of demographics – our ageing population; the fact that we actually will not have enough people in Guernsey to fund our Income Tax, to provide for our essential services.

So what does Treasury & Resources do about it? It does not – as Deputy Gollop would say – try to pretend that it is some executive arm of Government. What it does do is to react to the information it receives – for example, from the Personal Tax and Benefits Review – because it knows it sits on that joint board; it knows which way the Island is going demographically.

1690 It also receives information from the Investigation Committee which we all now know and love as SWBIC. Now, we all know that I am a representative – perhaps an unwilling one at first, but I have grown

to love my boss so much that I cannot wait for the next meeting... (*Laughter*) Treasury & Resources receives information about SWBIC and responds to that.

1695 Now, all of that information is assembled, it is assessed, it is analysed. It is certainly not complete, but it is looked at by Treasury, and Treasury... I cannot tell you what the outcomes of these reviews are going to be. There are confidences, anyway, to be observed, but the work has not been completed; but what we do know or suspect is that we are going to be less financially comfortable in a few years' time than perhaps we are going to be, than we are now. That is why we are suggesting putting a considerable sum into the Transformation and Transition Fund, because if you are changing the system from A to B and B is not
1700 actually quite so comfortable as A, what you have got to try to do is to hand some sort of tapering process to ease that transition. That is why a considerable sum of money is going into this Transition Fund. It is not there to be frittered away but, oh, my paws and whiskers, I bet you we are going to need that money, if you agree to the Transformation – and if we do not agree to the Transformation then God knows where Guernsey is going financially.

1705 So, I repeat, I am somewhat agnostic about the actual sums, but I am in just as good a position to judge as Deputy Dorey or Deputy Domaille, but the point is this part of what we all used to call the 'rainy day' fund has actually come to its end in this Budget, because this Budget is now approaching fiscal life, on the basis that we no longer have a deficit and that we balance our books.

1710 So what are we going to do with that money? Well, Treasury has made a suggestion and I suggest that we go along with that and that we reject these three amendments.

Deputy Stewart: Sir, just a point of correction. I did not want to interrupt Deputy Perrot in the middle of his speech but, in terms of the actual amount, I do know that the discussions took place between my
1715 Chief Officer and the States' Treasurer regarding the amount that is in the Economic Development Fund of £7 million. So it was not actually a figure that was plucked out the air; it was predicated on a lot of our on-going business plan over the next couple of years.

The Bailiff: I was going to call Deputy De Lisle next. How long are you likely to speak for, Deputy De
1720 Lisle?

Deputy De Lisle: Probably five minutes, sir.

The Bailiff: Five minutes. Well, go ahead, then.

1725 **Deputy De Lisle:** Sir, I wanted to make the point that I would go for – I take it we are dealing with the three amendments together – the thrust of the amendments, except for that with respect to the economic development area which is being reduced to £5 million from £7 million.

1730 I think we have to all realise that we are in a very changeable global economic situation at the current time and, as a result, this Island, as well as all other jurisdictions, is having to look very closely at the future, from the point of view of employment as well as potential possibilities in terms of developing their economies, because it is the economic side that, of course, enables jurisdictions to finance all the social programmes and environmental programmes that we want to foster and see develop and grow in our economies.

1735 Now, Guernsey has to maximise its opportunities in business and encourage new initiatives and developments to diversify the economy and create new prospects for employment. This is fundamental and when I look at what other economies are spending in terms of adjusting their economies and changing in order to provide a comparative, competitive situation, we are spending relatively little.

1740 Just to give you one example, this Island has a real opportunity to harness its natural resources in solar, wind, waves and tides, through development of non-polluting renewable energy. Now, just there, we could spend an enormous amount more than the £7 million that we are talking about here – just in that one particularly area – and that would provide a new economic growth dimension to this Island and to, of course, our neighbouring Alderney.

1745 Around a quarter, in fact, of Guernsey's domestic electricity could be provided by locally-produced renewable energy by 2020. Renewable energy will attract green investment to the Island and employ our people will new engineering and related skills. And really we need to be looking at the engineering sector as a growth sector for the future. This would reduce current dependency on external energy supplies and help secure the Island's needs in coming years. But that is just one sector that we need to be looking at and spending a lot more money on in the future.

1750 Amongst our traditional industries, of course, we need new marketing efforts and new attractions to expand tourism, particularly in the shoulder and off-peak months, but as well as during the summer season and, of course, that is all related to retail growth too.

1755 When I look at St. Helier and St. Peter Port, I see that St. Helier's comparative advantage is gaining significantly on St. Peter Port. Now, that is a demise, if you like, of our main growth pole in Guernsey and we have to be looking at significant growth in that central area of St. Peter Port, in order to develop our tourist sector and our retail trade. It is not good enough to see leakage going on as we are seeing it at the moment from Guernsey into Jersey, into Southampton, into London, rather than seeing the opportunity and developing that opportunity for growth in our own Island economy here locally.

1760 So I would like to encourage people to... (*Laughter*) support the £7 million that is going into this fund for regional economic development purposes on our Island and also I would support the other two amendments that are being discussed at the same time.

Thank you, sir.

The Bailiff: Well, I propose that we rise now and resume at 2.30 p.m.

*The Assembly adjourned at 12.33 p.m.
and resumed at 2.30 p.m.*

**States of Guernsey Budget 2015 –
Debate continued**

1765 **The Bailiff:** Well, Members, we continue to debate on amendments H, I and J. Does anyone else wish to speak on them?

Deputy Bebb.

Deputy Bebb: Thank you, Monsieur le Bailli.

1770 I am very supportive of everything that Deputy Stewart said in relation to investment. Actually, I do not think that there is that much wrong with an awful lot of what Treasury & Resources are proposing. However – well, to put it in terms that I think Deputy Perrot would appreciate – it just is not cricket. If you want to bring a Budget, then, quite frankly, I would appreciate a Budget, not serious large policy reviews.

1775 These amendments are brought because these are big policy changes and to think of bringing them on the back of a Budget which is subject to all these additional restrictions, quite frankly, it just does not feel like cricket at all. It does feel as though Treasury & Resources are trying to shoe in what may be very reasonable proposals that actually it sounds as though I would be very supportive of them, but they are shoeing it into a Budget which I would expect to just look at our revenue expenditure from year to year in the normal way that we do.

1780 These are first amendments that deal with that particular problem and I have to say, without a separate policy letter, without it being clearly written out as to why the investment is so important, without actually having that information, I will fully support this amendment and, should the Treasury & Resources feel that actually the original proposals are better, I really will look forward to that policy letter, that debate and I will quite happily change the limits back up.

1785 At the moment, not only will I definitely support this amendment, I am tempted to throw out the eventual Propositions, because it just does not feel right that we are making such large decisions on the back of a Budget debate.

1790 Members, I would urge you to support these amendments as merely restricting it so that we are more careful in exactly what is going to be done. I see Deputy Stewart shaking his head, but if the Commerce & Employment Department is convinced of the merits – which I fully agree with – I look forward to that policy letter from Commerce & Employment and I will fully endorse, but I do want to have that information. We were talking previously about making the case – a business case. It is not done and therefore this will bring some greater restriction and I would actually say I will vote for these amendments and I ask Members to seriously think about whether or not they will propose the substantive Propositions when we come to that.

1795 Thank you.

The Bailiff: Deputy Harwood.

1800 **Deputy Harwood:** Thank you, sir.

First of all, I would urge Members to reject the platitudes of Deputy Bebb. The danger of going down Deputy Bebb's route is that you actually enshrine in stone the transfer to the Core Investment Reserve which, if I remind Members, once it is in that Reserve, 'Hands off, you cannot get it, it is locked in'. Therefore, you do not have the flexibility to go back and recreate the alternatives, as he suggests.

1805 Sir, unlike Deputy Perrot, I am not agnostic on the figures that have been put forward. I am surprised Deputy Perrot is agnostic, because he is not the sort of person one would apply that description to. (*Laughter*) He is normally a man of full conviction whichever way he leans. But, having said that, sir, I do urge Members to reject this amendment and urge Members to support the proposals as set out by Treasury & Resources.

1810 Sir, the reason I am not agnostic on the figures is the Economic Development Fund... the rationale for £7 million has been amply illustrated by Deputy Stewart and by others. Guernsey – for many years, we have been able to lie back and business has just come in. We now have to be on the front foot. We have to go out and get business for this Island. We have to generate economic growth for this Island. We have to find alternative forms of economic growth. We cannot just sit back. We need a seed core of funds to do it.

1815 Deputy Stewart, interestingly, in his earlier speech mentioned the need possibly for creating new air routes. Now, in *The Times* earlier this week, I picked up that... Some of you may be aware that Flybe still maintain a Gatwick/Newquay air route. That is costing the taxpayer £2.8 million a year to subsidise. If we start opening new air routes, as Deputy Stewart and others would like us to do, to the Continent and others, almost certainly that will be at a cost to this Island in order to maintain, to sustain that route. We see that already with all these attempts to open a new service into London City. There is almost certainly going to have to be a subsidy. Those subsidies are not cheap if we seriously want to open those new air routes. So £7 million, I would suggest, actually is the minimum we need to put into that Fund.

1820 Sir, the Transformation and Transition Fund, I would strongly urge you to reject the amendment. The reduced figure is barely going to be enough to cover what we already believe is going to happen. We have identified that there is going to be some delay. The Transformation and Transition Fund is what it says: it is a transformation and transition. Deputy Perrot has already mentioned the problems we face both with SLAWS and SWBIC, in transitioning possibly from one model of delivering social care to another. We see that with SLAWS as well. How we fund that with be another case in point.

1830 There is a need for transition. There will be a need for transition and there will be a need for funding for that transition, and that funding is not going to be available from any one Department's budget; it is going to have to come from some central source. Not only for that transition but also – and I know full well from the SLAWS working party and I believe that Deputy Le Lievre also from SWBIC – we are faced with the difficulty of getting staff resource to actually be able to deliver to do all the work that is necessary in order to drive forward these projects. There is a dearth of resource available. We need the Transition and Transformation Fund in order to help us source and fund that resource that we so desperately need.

1835 There is also one other reason why I would urge you not to agree to this reduction going into the Transformation and Transition Fund and that is for the very reason that we have discussed in the past the need to, I think, adopt smart processes for Government and that is going to be a very expensive exercise.

1840 I know that Members of the executive and I believe some of the Ministers may have been into the Baltic States where actually they are very far advanced in this thinking and the process of taking head count out of the body of Government, and delivering Government in a far more smart, effective and efficient manner.

1845 There is a cost associated with that. There is a cost to actually coming up with the systems and ultimately there will be a cost associated with reducing the head count of the States of Guernsey. That is part and parcel of this transformation. It is a transformation from one system of Government to another. It is a transformation from going where we are on delivery of social services to the long-term delivery and long-term problems associated with demographic changes that we all know about.

So I would urge you just to maintain the figure that has been suggested by Treasury & Resources.

1850 Finally, the General Reserve Account reserve. I made the point earlier that once you have put money into the Core Investment Reserve that will then become locked in; you are not going to be able to get access to that. Now, we know over the last two days that we were fully aware that there is going to be additional demands in relation to the Budget for the expenses for HSSD, in dealing with their current problems and we have already heard from Deputy Dorey that he believes that there is an even greater demand and greater need for budget.

1855 We already know that the Budget Reserve is fairly thin. That has got to deal with the matter of increase of staff salaries. There is not much fat in that, so we are seriously going to be faced with the situation where we know £4 million is going to go to make up the deficit next year. We know there is another £10 million-odd which is needed in order to cover the delays of the delivery of the FTP. That takes £15 million. There is nothing on top to meet any deficit that is likely to arise – and I fear that there will be a further deficit over 2015-16, unless and until T&R are able to deliver a new tax strategy.

1860 So I would urge Members to be very conscious of the fact that once the money is locked into the Core Investment Reserve, it is there; you cannot get your hands on it. You cannot reverse that, so let us take time, let us allow the transfers that are proposed by Treasury & Resources. If they are not needed, if they are not exhausted after four or five years, then you can put the money into the Core Investment Reserve, but do not do it too soon.

1865 I would urge you all to reject the amendments and to support the Treasury & Resources' original proposals.

Thank you, sir.

The Bailiff: Deputy Kuttelwascher.

1870

Deputy Kuttelwascher: Sir, today has been a much quieter day than yesterday. (*Laughter*) I only rose twice and I would like to just confirm with Deputy Lester Queripel, a quiet day for me is a day where I do not get up to speak – nothing to do with the number of amendments. I was surprised we only had 16, because this is such a far-reaching Budget I thought there might 56, never mind 16 – but there we go.

1875

Back to the subject matter, I completely agree with Deputy Harwood. The Core Investment Reserve... and there is a word used to describe it which was eventually put into the Report by Deputy Perrot: it is 'enduring'. It is not meant to be got at unless there is some severe downturn in the economy or an emergency. So if you put it there now do not expect to be able to get it out easily.

1880

As regards the General Revenue Account Reserve, I think it would be most unwise to reduce that because primarily we are going from the position where the Contingency Reserve Tax Strategy was used to raid it for over-spends. This particular Reserve – the purpose of that is to cater for shortfalls in revenue and, with the figures that are being proposed, you would only need a fairly small shortfall in revenue and we have run out of money and then really the only option is further draconian savings on budgets or indeed increase taxes mid-term.

1885

So Deputy Perrot is quite right. I do not know what the best amount of money is in each of these funds, but the point is this is not an authority to spend them in 2015; they are just there available and you may or may not spend. You will certainly spend some of them.

1890

I know Deputy Dorey, on a personal agenda, would like to see the Contingency Reserve built up again as soon as possible, because he has said so. That is a debate that can be had, but I do not think the time to do it is right now, because we are not running surpluses. The Budget that has been proposed is very, very tight and, as a result of the last amendment, has got even tighter, because what is available in the Budget Reserve now has been severely reduced; so if you come in 2015 for money there is not as much to be had now. It is something we can deal with, we can cope with, but it has been much reduced.

1895

So, I urge Members to support these figures. They are not, as it were, an authority to go out and just spend them, but they are just available and if at a later date or if next year the economy picks up and our revenues increase, we might be in a position to put a bit more in the Contingency Reserve – the enduring reserve. So I am quite happy with this.

1900

Deputy Bebb said, 'Oh, we should have had a policy letter because this is a big policy change' and I think it was said that Treasury & Resources should not have brought this. I say, 'Why not?' Why not? It is a very simple option. I said yesterday this was the 'hope' part of our Budget, in that there are sums there available to try and enhance our economy, assist in funding in all sorts of transformations. One of them mentioned was e-government.

1905

Just look at what Lloyds Bank have done very recently. They are closing 650 branches... 9,000... purely because people are banking on their iPhones and tablets. That is the way life is going and we will have to accommodate that sort of direction of travel – and dear Deputy Fallaize may actually have to buy and iPhone, eventually. I mean, I might give him one. (*Laughter*) I have got an iPhone for the first time. It was my son's and the battery had gone. He said, 'You can have it.' I spent £5.99 on Amazon for a battery and toolkit and if you go to –

1910

Deputy Fallaize: On a point of order, you are wasting your time. (*Laughter*) (**A Member:** Hear, hear.)

Deputy Kuttelwascher: What is the definition of a troglodyte? (*Laughter*) No comment.

1915

Anyway, I am supportive of this. This whole Budget is a real eye-opener. There are so many things in it. It is a watershed Budget, almost. Now, I will be pleased is 95% of it is approved, especially this section, and I ask Members to reject all three amendments.

Thank you.

The Bailiff: Deputy Brouard, then Deputy Gillson.

1920

Deputy Brouard: Thank you, sir.

Just to say that the rest of the Board of Commerce & Employment stand four square behind our Minister – well, at least two square at the moment, (*Laughter*) until we get the other Members.

1925

But Deputy Harwood is absolutely right. In the 1990s we could just sit back and wait for business to come in. In the early noughties, we had to advertise that we were open for business and now we have got to go and knock on doors and say, 'Come here'. That is the change and that is just what the Minister has been

doing out in China: actually knocking on doors. But we need to resources to actually go and do that knocking on doors.

1930 So I will be fully supporting the £7 million. I think we have heard today what happens when it is not quite so clear in reading the Budget Speech and I was going to be very much in favour of all three of Mark Dorey's amendments, but it just shows the value of listening to the debate and at the moment I think I am going to favour T&R. They have been clearer in their explanation today than what has been in the actual Budget. I had not fully realised... I thought they were just taking our Contingency Reserve and were basically going to spend it as revenue. They have made it clear that they are not doing that, so I think that is very helpful.

1935 So I am minded at the moment to support T&R and reject the Dorey proposals.
Thank you, sir.

The Bailiff: Deputy Gillson.

1940 **Deputy Gillson:** Sir, thank you.

1940 Firstly, I think I would take issue with something that Deputy Harwood and Deputy Kuttelwascher said about the money, when it is in the Core Investment Reserve, being locked away in some way. This Assembly is sovereign. (**Several Members:** Hear, hear.) It cannot bind future Assemblies. If this Assembly were to put money in the core and then in two months' time decide to take it out, it can do. So money that is in there is not locked away permanently.

1945 I have no real feeling as to whether the £7 million or £5 million for the Economic Development is the right amount. We do not know; both are as good as each other. What is important is not so much the pot that we are putting the money in and what we are calling it, but more the governance around them in terms of who can spend the money and I agree with a lot of people that there has not really been sufficient businesses cases behind these to basically give T&R £32 million without any business case.

1950 So, for me, the key to enable me to *not* support this is whether or not we are going to support Deputy Fallaize's two amendments which really contain the governance on these. If, in his summing up, the States' Treasurer can confirm that T&R... (*Laughter*) Not States' Treasurer; Treasury Minister – sorry! I am not sure if that was a promotion or a demotion! (*Laughter*) But if the Treasury Minister can confirm that T&R are going to support Deputy Fallaize's amendments which enhances the governance on those two funds, then I am happy to go with T&R and reject these amendments.

1955 **The Bailiff:** Anyone else? No. I see no one rising.
Deputy St. Pier.

1960 **Deputy St. Pier:** Thank you, sir.

I think the comments of Deputy Gillson and Bebb do speak, as Deputy Gillson has said, to the heart of the issue about the governance and access to these funds; and that, of course, is precisely why Deputy Fallaize has laid the amendments which he has.

1965 I am loath to talk about them after having my wrist slapped yesterday, but I guess I am not going to get away with pleading that I cannot talk about it, given Deputy Gillson's question.

Deputy Gillson: We assume that Deputy Fallaize is going to lay them.

1970 **Deputy St. Pier:** We assume that Deputy Fallaize is going to lay the amendments.

The position of the Treasury & Resources Board is supportive of the amendment in relation to the governance of the Transformation and Transition Fund.

1975 We are slightly more ambivalent in relation to the Economic Development Fund and we are certainly very interested to hear the arguments which are going to be laid, I am sure, by the Members of Commerce & Employment as to their feelings about how restrictive that would be for them. Certainly, in relation to the Transformation and Transition Fund, we have no problem with the amendment as drafted and if it is laid.

I would probably like to start by saying, sir, that the thinking behind this amendment, I would suggest, is somewhat more short-term than our long-term Propositions which are taking a longer sustainable view; and I think that, in essence, was spoken to very well by Deputy Harwood in his speech and also Deputy Perrot.

1980 Deputy Dorey's three amendments would change the distribution of the balance of the proposed funds and, frankly, I think his desire to increase the amount that is held in the Core Investment Reserve is simple and it is very understandable. However, if the benefits – which are ongoing – are to be fully realised from the appropriation to the funds, then the allocation should be adequate and sufficient.

1985 And, frankly, sir, I think the amendments fundamentally misunderstand the nature of the Core Investment Reserve as we envisage it. As Deputy Kuttelwascher said, we envisage that this should be an enduring fund which should only be accessed in the most exceptional of circumstances. I absolutely agree

with Deputy Gillson, these are not locked away for ever and ever. It will be subject to Resolutions of this Assembly, but we are not seeking just to rename the Contingency Reserve, the Core Investment Reserve and I think, in his speech, Deputy Dorey did refer to the Contingency Reserve in that context as if it was simply a renaming. This is a fundamental re-characterisation of the purpose of the fund and, if these amendments are accepted, sir, the amendments, substantially – I would say, substantially – increase the risks that we will need to go back into, to dip into the Investment Reserve, which is what we are seeking to avoid by the recommendations that we put before you today.

In addition, the reduction in the proposed transfer to the General Revenue Account Reserve will mean that there is likely to be insufficient funding available to manage the inevitable variations to budget in areas where the States do have limited control. We do need to put aside sufficient, so that we do not have to go back and, of course, we have had that.

We have already identified, as Deputy Harwood said, potentially, some significant funding requirements that are going to be needed for HSSD. Other examples, of course, would be, as Deputy Kuttelwascher said, shortfalls in income. Of course, in 2013 we were £10 million short of our income expectations and of course our income is, and can be, volatile and unpredictable; and of course we have other formula led expenditure pressures as well and the assumptions around those, of course, are made up to a year in advance. An example of that might be unemployment, where of course it is difficult to predict that far ahead and the impact on expenditure if that number were to change.

For the avoidance of doubt, sir, the General Revenue Account Reserve is not – it absolutely is *not* – a second Budget Reserve. The Treasury & Resources Department is not able to approve any requests for funding from this Reserve. It is solely there as a mechanism to fund any adverse variations in the overall financial position at the end of the each year. Without it, the States would be asked to approve withdrawals from the Core Investment Reserve in order to balance the books – a measure which I have said several times now, I would consider to be highly undesirable, particularly given the longer-term nature of the investment policy which Deputy Domaille, in his speech, applauded and which we are proposing for the Reserve.

Prior to the years of budget deficit, during which time planned shortfalls were met by a transfer from the Contingency Reserve, the General Revenue Account Reserve normally held about 5% of annual income in it. Of course, due to improvements in the accuracy of our Budget forecasting and the development of the concept of the Budget Reserve, we do not think we need to retain quite as much as that, but the proposed amount that we are suggesting, £12 million – if we exclude the £10 million that Deputy Harwood spoke about, which has been separately identified for the delay in the delivery of the residual balance of FTP targets from 2015 to 2017 – represents only 3% of budgeted income and we do consider that to be reasonable, but really an appropriate minimum to be held in that Reserve. If the amendment goes through we will only have £5 million, potentially, unallocated. As I have said, that could easily be consumed by HSSD alone, given some of the issues that believe to be out there.

Clearly, if the overall financial position in any year is more favourable than budgeted then, as part of the next Budget Report, there will be additional funds available for us to appropriate back into the General Revenue Account Reserve, if appropriate, but of course we are not forecasting any surpluses until 2017. So we have got three years to get through using the General Revenue Account Reserve with the recommended balances that we are suggesting to Members today. Clearly, should the overall financial position in any year be worse than budgeted then we will be relying on that Reserve as a buffer until such time as it can be replenished in due course.

In relation to the sums, yes, Deputies Perrot and Domaille, to some extent it is an educated estimate. Actually, the sum that Commerce & Employment were seeking in relation to the Economic Development Fund was £10 million, rather than the £7 million that we are recommending. But the Transformation and Transition Fund – again, just to re-emphasis what I said in my opening speech, sir – there are some substantial projects and policies that this States is seeking to develop, for which there is no other funding unless we create the right mechanism through our proposals today to enable some of those things to be taken forward.

SLAWS has been mentioned; the Personal Tax, Pensions and Benefits Review – to the extent that it does require any transition measures or tapering measures, as Deputy Perrot referred to them; SWBIC, similarly may have some similar demands; the Disability and Inclusion Strategy; the Mental Health and Wellbeing Strategy; the development of e-government; and, indeed, in relation to the development of the transformation in Government, generally, of course, Professor Wood said, in his report:

‘Adopting the proposal to establish a Transformational and Transition Fund, to support the continuation of the work begun by the FTP in transforming public services, would be a very wise move. Having made such a promising beginning, the States should capitalise on it.’

So, sir, I would encourage Members to support Professor Wood’s view on that and not adopt Deputy Bebb’s approach of throwing all this out with the eventually Propositions.

2045 In relation to the Economic Development, as a number of Members have spoken, we need to get going with that. We do not need to wait another three or four months for a report to come back to this Assembly in relation to some of the policy that has been criticised for not having dealt with it in a separate States' report.

2050 So, sir, I would strongly encourage Members not to limit our flexibility – when I use the term ‘our’ I mean our collective flexibility – for all the initiatives that we know are likely to be faced in the next few years, to reject these amendments and to ensure that we have put enough aside so that, with reasonable certainty, we would not have to go back into the Core Investment Reserve.

Thank you, sir.

2055 **The Bailiff:** Deputy Dorey.

Deputy Dorey: Thank you, sir.

2060 Deputy Stewart began first talking about the Economic Development Fund and, in fact, when I was on T&R in 2012 the Future Development Fund was only going to be for social policy reasons and I actually got them to change it so it could be used for economic reasons as well. So the fact that you had your £2.1 million is because of my assistance when I was on T&R.

2065 Sir, I fully support the need for economic development, but it is a matter of having a reasonable amount. I think that £5 million is a reasonable amount. You have had two years and you have only needed £2.1 million. I do not think we should load these funds for many years and it is important that they are used for one-off projects. I think somebody spoke about supporting airlines and the ongoing need for Flybe's Newquay flights. You cannot use these funds for ongoing expenditure. You are just getting around the Budget then. Surely they are for one-off reasons?

Deputy Stewart made a comparison to Jersey –

2070 **Deputy Stewart:** Just a point of correction, sir. I did not suggest we use it for ongoing expenditure. These initiatives might be able to appear over just two or three years to try to establish a route, sir.

The Bailiff: Thank you, Deputy Stewart.
Deputy Dorey.

2075

Deputy Dorey: I was not referring to you. I was just trying to refer to others.

The Bailiff: Through me, please, Deputy Dorey.

2080 **Deputy Dorey:** Ultimately, I do not think there is a justifiable business case made for the amount of money that is put in and I agree with Deputy Bebb, in particular, and others who said this should have been a separate report. I mean we are talking about £54 million! That is a massive sum of money being moved out of our Contingency Reserve when the original policy was very, very clear that what we did not need to fund the Tax Strategy would stay in the Contingency Reserve.

2085 I thank you, Deputy Domaille, for your good speech and for supporting and seconding the amendment. As he said, you need sufficient funds but they have to be meaningful projects and I think that this is a very significant amount of money and therefore we are putting funding in for many years ahead.

2090 Deputy Perrot made the case about the Economic Development Fund and the Transition and Transformation Fund. It is interesting he did not speak at all about the General Revenue Fund. I just do not think that that amount of money is needed at this time. He mentioned about how T&R were not executive, but actually, if you look at the proposals in relation to releasing that money, this is all a decision of T&R. Policy Council gives in principle, but it is T&R's decision. I know we have got Deputy Fallaize's amendments to come, but actually what is proposed seems very much like an executive department making decisions about this money.

2095 I thank Deputy De Lisle who said he would support H and J, but not I.

2100 Deputy Harwood spoke about being locked in and I think Deputy Gillson has covered that. The Core Investment Reserve is not locked in. The States has got to have the ability to make a decision for it and if it wants to draw upon it in future years, it can. I think what I am talking about is making a reasonable amount of money for these needs which can last a period of time and the idea is by 2017, which I take is two years away, we will be able to have enough money, we will be predicting surpluses and we can move more money in, rather than raiding what I see is the Contingency Reserve to fund these projects.

Deputy Harwood spoke about SLAWS, well, I have sat on the SLAWS programme and we had the report which said that that is not going to happen until post 2016. We had an interim report, but we are far away from having the proposals. So it seems very early to be moving money in to cover a project like that

2105 when we are not anywhere near the final project and I am really concerned about using this money for projects which I think should be essentially funded from Revenue.

I think we spoke about this being a balanced Budget, but it seems like these funds are going to be used to get around the constraints of the Budget, because they talk about policy development. That is bread and butter stuff which should be funded from General Revenue, not from these separate funds. Even tapering from system to another should come out of taxes and General Revenue, not using Contingency Reserves to do that. That is not what I believe, when money was put into the Contingency Reserve many years ago, they planned for it to be used for. I think the comment was, 'We'd know a rainy day when we see it'. I do not think to get round policy development is the rainy day that it was envisaged, when monies were put into those funds.

2115 Deputy St. Pier spoke about the amount in the General Revenue Reserve. Well, the difference between what I am proposing, which is £15 million, and what he is proposing, £22 million, is only £7 million. He spoke about, 'Oh, we were £10 million short of revenue one year.' Well, if he is saying that General Revenue Reserve is going to cope with that – it is going to cope with differences in formula-led expenditure, cope with the needs of HSSD – it is not going to do that if you are going to keep that £10 million separate for the shortfall in the FTP savings.

2120 So it is not going to do what he set out for it to do and I think the right thing to do is restrict it. In my view, if you restrict this money you would then make sure that the cases for spending it are far better made. If you have that money there, it is far too easy to spend it. I say restrict it and, yes, you can draw upon it but it has to be in the exceptional circumstances, because what I feel today is it seems to me that people want to spend it for items which should be funded from General Revenue and not using these funds, otherwise we are just getting round the existing Budget.

2125 So I would ask people to support these three amendments. The one item I would say... because of the remaining balance in the account that needs to be transferred to the Core Investment Reserve, if you are going to vote for I or J, you need to vote for H as well or you can just vote for H. But if you do not vote for H there will be money sitting there which will be unallocated – if that makes sense.

2130 Thank you.

The Bailiff: Members, we will take each of the amendments in turn. So, the first one to vote on is amendment H and Deputy Dorey is calling for a recorded vote. This is amendment H, proposed by Deputy Dorey, seconded by Deputy Domaille which substitutes a new Proposition for Proposition 21.

There was a recorded vote

2140 **The Bailiff:** It seems to be that amendment was lost and, unless anyone wishes otherwise, I suggest we move on with the vote on amendment I and get the formal count later.

So, we vote now on amendment I. Again proposed by Deputy Dorey and seconded by Deputy Domaille, which substitutes £5 million with £7 million in Proposition 22.

2145 Is there a recorded – (Interjection by Deputy Dorey) Okay, there is no request then for a recorded vote. So I put to you amendment I. Those in favour; those against.

Members voted Contre.

The Bailiff: I declare that lost.

And, next, amendment J, proposed by Deputy Dorey, seconded by Deputy Domaille. Any request for a recorded vote? No.

2150 So I put to you amendment J. Those in favour; those against.

Members voted Contre.

The Bailiff: I declare that lost.

2155 We therefore move onto the amendment marked K proposed by Deputy Fallaize, seconded by Deputy Conder. Deputy Fallaize, if you wish to lay it.

Deputy Fallaize: Thank you, sir. I think I could lay two together, couldn't I? Even though they have got different seconders, they seem to be sort of thematic.

The Bailiff: K and L?

2160 **Deputy Fallaize:** If the Rules allow it but can you allow it, please, sir?

The one that is seconded by Deputy Conder and the one that is seconded by Deputy Harwood because, effectively, they are the same type of theme and it would perhaps quicken things up.

2165 **The Bailiff:** Unless the Minister has any objection, if it speeds the business up –

Deputy St Pier: I have no objection.

2170 **The Bailiff:** – I am sure everybody would welcome it. (**Several Members:** Hear, hear.)
So we will take K and L together.

Amendment K:

In Proposition 22, to delete all the words after ‘(Tax Strategy)’ and substitute therefor:

‘; and to agree that requests to access the Fund shall be presented to and determined by the States of Deliberation, subject to the proviso that the Treasury & Resources Department shall have delegated authority to approve applications up to a maximum of £250,000 each.’

Amendment L:

In Proposition 23, to delete all the words after ‘(Tax Strategy)’ and substitute therefor:

‘; and to agree that requests to access the Fund shall be presented to and determined by the States of Deliberation, subject to the proviso that the Treasury & Resources Department shall have delegated authority to approve applications up to a maximum of £100,000 each.’

2175 **Deputy Fallaize:** Okay, thank you, sir, and I will, obviously, address both together, although I envisage that we will vote on them separately. I know there are some Members who may be in favour of one and not in favour of the other.

My amendments have already been spoken on really, but they concern what controls are in place for accessing the two new funds, which T&R is proposing to create – the Transformation Fund and the Economic Development Fund.

2180 Propositions 22 and 23 envisage that the authority to approve the expenditure from those two funds should be delegated to the Treasury & Resources Department. My amendments are proposing that the authority should rest with the States beyond a *de minimis* limit which is different in the case of the two amendments – £250,000 *de minimis* in the case of one and £100,000 in the case of the other; and I will return to the reason for the difference in a moment.

2185 I do not want the States to be involved in expenditure of a few tens of thousands of pounds, but I think that the oversight of the States is necessary in respect of new expenditure on new concepts of hundreds of thousands or even millions of pounds. I think the scale of the potential expenditure does need to be put in some kind of context.

2190 The £25 million in the Transformation and Transition Fund – I hope I have got that the right way round – represents 90% of the annual non-formula-led expenditure of the Policy Council and T&R combined and the £7 million Economic Development Fund – and I know that Deputy Stewart said it was not only for Commerce & Employment; I think it is now rechristened ‘the Kev and Mike Fund’ – but £7 million represents 65% of the annual budget of Commerce & Employment. This is potentially £32 million of additional expenditure, albeit potentially spread over a period of years on as yet unknown, and no doubt in the vast majority of cases unapproved, items which have never been referred to the States.

2195 I do not think that this is an attempt by Treasury & Resources to act as some sort of executive, because it has to be remembered that they are bringing these proposals to the States. They are not just trying to impose them on the States, but it is a bit of an audacious attempt by T&R to gain control of another 32 million quid of money and, I suppose, we can admire the audacious attempt, but I think there are times when the States needs to put them back in their box a bit, as it were, and this is one of those occasions.

2200 The points that have been made by Deputy Dorey, I think, are relevant. Where would this money be were in not in Transformation Fund and the Economic Development Fund? The answer is that it would be in the Contingence Reserve. I know it is not going to be called the ‘Contingency Reserve’ anymore because everything associated with the past is no good anymore and it has to change its name, (*Laughter*) but I think I will always know it as the ‘Rainy Day Fund’.

2205 That is where the money would be and the approvals process for accessing money from the Rainy Day Fund rests with the States. So the proposal is to take £32 million out of what is currently the Contingency Reserve and put it into a Transformation Fund and an Economic Development Fund *and*, whereas previously the approvals process for the expenditure of that money would rest with the States under the proposals in the Budget, it would rest with the Treasury & Resources Department without reference to the States. So that is redirecting not far off 20% of the value of the Contingency Reserve which is under the control of the States into two new funds which the Budget proposes should be under the control of T&R.

2210

I do not object to the creation of the two new funds, but I have to say that these are new concepts that are being proposed here, in particular, Economic Development. One has to go back a long way to a time when the States was trying to stimulate the economy. There was some economic support, if not development, provided at the time when the horticultural industry was stronger but, by and large, the States of Guernsey does not get involved in economic stimulus and this is a change of policy. We have not had anything like a Transition Fund before either. Now, I am in sympathy with the arguments that have been put by Domaille and others, that what is proposed here represents fairly substantial shifts in policy. Now, that may be a good thing but there really is not a very extensive case set out in the Budget Report.

I accept that in respect of the Economic Development Fund there is mention of the Economic Development Strategy and the expectation that the money would be spent on fulfilling the Economic Development Strategy. That is all very well and good, but the Economic Development Strategy – unless I slept through a meeting of the States – has never been to the States. It has not been debated by the States. It has not been approved by the States. So it really is no use to say, ‘Well, this all being done in line with States’ policy’, because actually it is not.

I think the purposes of the Transformation Fund are even more uncertain and I have been confused – which is perhaps not terrible difficult – but when I asked originally what the purpose of the fund was for, I was under the impression that it was a degree of transformation which is this project, which is under the Chief Executive, and also policy development. Now, I thought to myself, ‘I could write quite a few policy letters for 25 million quid.’ But it has now been explained that actually there is some, what is being described as tapering, potentially; so moving from one social welfare benefit system to another system. But that has not been explained properly in the policy letter. In fact, about 80% of the section of the Budget Report which deals with the proposal for a Transformation Fund, concerns the Government Service Plan and the desire of T&R to fund the Government Service Plan.

Now, I might remind T&R that there was an amendment laid to the Government to the proposals in relation to a Government Service Plan, which the States approved, by Deputy Green and I, which did not approve the expenditure on the development of the Government Service Plan until the Policy Council had laid a report before the States explaining how it would work, because of the States’ very costly and somewhat chaotic previous experiences with similar planning documents.

Now, there has been no such report laid before the States and, yet, 80% of the justification for the fund of £25 million relates to the development of a Government Service Plan. So I think there is a case – particularly in light of the defeat of Deputy Dorey’s amendments – for the States, effectively, reserving judgment on exactly how and where and when the money in these two funds should be spent, to approve them in principle, to direct the resources into them, but to reserve judgement on exactly what the money should be spent on and to require Departments or T&R, when there is a proposal to spend more than the *de minimis* amounts set out in the amendment, to bring that proposal to the States and the States can take a view on it and then there is proper oversight of these two new funds.

I just want to say one more thing in relation to the Economic Development Fund, because I know Deputy Stewart has some concerns about the amendment and I do understand his concerns and this is why there is a difference in the *de minimis* amounts in the two amendments.

Clearly, in relation to the Economic Development Fund, the States need to be more nimble and fleet of foot and able to react more quickly and I think £100,000 was... I started discussing this with the Treasury Minister to see if there was a way of improving the governance around these funds because, potentially, I thought without that the proposals might be defeated and we started talking about £100,000.

Now, in relation to the Economic Development Fund, I thought that was probably too restrictive and it would be better to allow T&R to deal with applications up to £250,000, but actually the Rules of Procedure, in terms of the submission of reports, are not terribly restrictive. Deputy Stewart, no doubt, will tell us that it will take a long time to prepare a States’ report and it is going to get bogged down in the system, but actually the Rules say that a report can be included in a Billet which has been submitted to the Policy Council:

‘... at least 11 weeks [before the meeting] (or within such shorter period as the [Policy] Council may agree in any particular case)...’

So, there is no reason why, if there is a need for the States to act nimbly, quickly, in relation to expenditure of the Economic Development Fund, why a report cannot be brought to the States expeditiously.

I know, also, there is a concern about Guernsey giving up its competitive position or competitive advantage if too much information is in the public domain in respect of economic development, but I think it is possible to write a report, being reasonably discreet so that the States are properly informed about the kinds of areas in which the expenditure is proposed without compromising our competitive position. I cannot believe that it is not possible to produce policy letters in that form and they have come to the States

2275 in the past. There have been many precedents where the States have had to be careful about what is included in what is, effectively, a public document, but where the States have been careful and have been able to take an informed and rational view on a set of proposals.

2280 So, I do not think we should take £32 million out of the Contingency Reserve and out of the control of the States and put it entirely into the hands of the Treasury & Resources Department on the back of what is set out in this Budget Report. It is not sufficient. It is not extensive enough. We are not aware of where this money is going. We, ultimately, as Members of the States are accountable for this expenditure and I could not be held to account at the moment for where this £32 million is being spent, because the case is very vague and I ask Members to support the amendments.

Thank you, sir.

2285 **The Bailiff:** Deputy Conder, do you formally second amendment K? And Deputy Harwood, do you formally second L?

Amendment H:

Not carried – Pour 13, Contre 33, Ne vote pas 0, Absent 1

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy De Lisle	Deputy Perrot	None	Deputy Storey
Deputy Burford	Deputy Brouard		
Deputy Brehaut	Deputy Wilkie		
Deputy Domaille	Deputy Inglis		
Deputy Conder	Deputy Soulsby		
Deputy Bebb	Deputy Sillars		
Deputy Lester Queripel	Deputy Luxon		
Deputy Le Pelley	Deputy O'Hara		
Deputy Ogier	Deputy Quin		
Deputy Lowe	Deputy Hadley		
Deputy Green	Alderney Rep. Jean		
Deputy Dorey	Alderney Rep. Harvey		
Deputy Paint	Deputy Harwood		
	Deputy Kuttelwascher		
	Deputy Langlois		
	Deputy Robert Jones		
	Deputy Le Clerc		
	Deputy Gollop		
	Deputy Sherbourne		
	Deputy St Pier		
	Deputy Stewart		
	Deputy Gillson		
	Deputy Trott		
	Deputy Fallaize		
	Deputy David Jones		
	Deputy Laurie Queripel		
	Deputy Le Lièvre		
	Deputy Spruce		
	Deputy Collins		
	Deputy Duquemin		
	Deputy Le Tocq		
	Deputy James		
	Deputy Adam		

2290 **The Bailiff:** Just before I call anyone to speak, I can formally announce the result of the vote H: 13 votes in favour; 33 against. Amendment H, I declare lost.

Yes, Deputy Duquemin, followed by Deputy Stewart.

Deputy Duquemin: Thank you, Mr Bailiff.

2295 I will support the Fallaize/Conder amendment relating to Proposition 22: the Economic Development Fund – or what some have called, not least the man himself, ‘Kev’s Fund’, appropriately amendment K. But I urge Members, (*Laughter*) despite the T&R Minister’s earlier response to Deputy Gillson’s question, I urge Members to vote against the Deputies Fallaize/Harwood amendment L, relating to Proposition 23: the Transformation and Transition Fund.

2300 Let me explain my logic. It will not come as a surprise to many that it will be plea for progress, not process and a determination to replace the ‘how factor’ with the ‘wow factor’ and, more specifically, the ‘now factor’.

Sir, I made a speech in the July 2013 debate on the Government Service Plan when I provided details of my analysis of the breakdown of the General Revenue Budget between the Departments. The revelation

2305 was that comparing 2004 with 2013 and all the years in between, as a percentage of the total pie, each Department's portion was roughly, in many cases, exactly the same.

Mr Bailiff, I was relieved to learn that at least one person was listening to my speech back in July 2013, because during last year's Budget Debate in October, the T&R Minister referred back to my contribution to the debate and recounted how,

2310 '... resources are allocated where they have previously been allocated,'

– and Deputy St. Pier admitted,

'We have to recognise that this is the reality until such time as we have a better system of allocating resources.'

2315 So the question is when will we have a better system of allocating resources? When will we have that better system?

Sir, in a fairly eclectic Budget, my eyes were drawn to paragraphs 5.19 onwards, starting on page 38, which detailed the proposed Transformation and Transition Fund. I will shine a light on one paragraph in particular and read it out in full: 5.25 reads,

2320 'In order to ensure that the best value for money is obtained for government expenditure, it is necessary to ensure that services provided are actually required, are fit for purpose, comply with the States' strategic objectives and have been prioritised by the Assembly. This will inevitably mean that the redirection of resources away from lower priority services into new or current but higher priority services could represent best value for money.'

Mr Bailiff, in his speech to introduce his Department's 2015 Budget, apart from talking about the amendments, Deputy St. Pier spoke about baseline budgets, targeted and appropriate investment, transforming the delivery of public services, prioritised service delivery, benchmarks and more. Clearly, 2325 there is a commitment at T&R to effect much needed change – the aforementioned transformation – and I want to support them and, crucially, allow them to get on with the job as soon possible, with the minimum of obstacles.

2330 Sir, this amendment seeks to restrict T&R's delegated authority to projects costing £100,000 or less from this £25 million fund. 5.30 requests delegated authority for T&R and says that after developing clear criteria for use of the Fund in conjunction with Policy Council the business cases for the use of this fund must demonstrate:

Significant long-term transformation in the delivery of services;

Evidence [based] and measureable benefits;

Return on investment.'

Sir, this amendment says, in my opinion, we do not trust T&R, or we just trust them up to £100,000 but not a penny more.

2335 Mr Bailiff, yesterday we elected a new HSSD Board and this Budget will *de facto* give that HSSD Board delegated authority over a Budget of more than £100 million. Mr Bailiff, today, if we support this amendment, we will *de facto* say, 'We do not trust another Department – the Treasury Department to boot – with a penny over £100,000.' T&R – the Department that, as Deputy Perrot explained earlier, looks after all finances on behalf of the States of Guernsey.

2340 I have updated my Excel spreadsheet with the Budget figures for 2014 and 2015 which reveals nothing much has changed. Each Department's share of the pie is still virtually the same. Sir, if I have learned anything in the last 13 months it is that lots of numbers and percentages do not make for an easy-to-follow speech. So Members will be pleased to know that, instead of detailing updated figures in this speech, I will send them a full analysis by e-mail. But the headline message is: nothing much has changed or is likely to change.

2345 What is perhaps more alarming is the new three-year rolling Budget on page 47. Whilst it has been caveated that it is indicative, it prolongs the *status quo* into 2016 and 2017. This business-as-usual copy-and-paste philosophy for departmental spending has spanned, will span, not one, not two, not three, not four, but five – yes, five! – different electoral terms, five different States.

2350 Let's not roll over this issue to a sixth States. We need change and we need change now and this is why we need progress not process. We need progress, we must progress SLAWS, SWBIC, SAMP, e-Guernsey and more.

2355 Deputy Dorey might think that these are bread and butter, but at the moment I am seeing little bread and even less butter. If T&R needs to come to this Assembly every time it sees merits in a business case for a penny over £100,000 we will, with the deadlines for the submission of item for a Billet d'État, slow down a

decision that could be made in a four-hour board meeting to one approaching four months, despite Deputy Fallaize's assertions that Billet submissions can be nimble and fleet of foot. Four months, instead of four hours, to lightly reach the same conclusion is – to use one of the more rudimentary words in Deputy Fallaize's thesaurus – bonkers.

2360 I have no doubt that T&R will come back to the States with updates. Perhaps they might even want to steer on big items – say expenditure of £5 million-plus on a healthcare review – but the fact remains that with a budget of £25 million and a limit on delegated authority of £100,000, we open ourselves to the possibility, albeit unlikely, of T&R having to come back to this Assembly nearly 250 times.

2365 Sir, I know I am being flippant, but the absurdity does help prove my point. There seems zero chance of having a zero-based budgeting any time soon.

Mr Bailiff, I am certain that when he replies to this debate Deputy Fallaize will repeat his mantra of proper governance, the sovereignty of this Assembly and so on; but, for me – and I make no apology for this – less than perfect Government is too heavy a price to pay for more than perfect governance. Enough is enough. Less than perfect Government is too heavy a price a pay for more than perfect governance.

2370 This is – to borrow Deputy Fallaize's phrase – an audacious attempt by T&R to make things happen and I admire them for that. Let us give our islanders the services they need, not just the services that we have been giving them out of what can be best described as a habit. As St. Augustine said – or at least what Brainy Quotes.com said he said – 'Habits, if not resisted, soon become necessity.' Sir, Members, what I say and what I repeat is: progress, not process. We need the 'wow factor', the 'now factor'.

2375 Some might think I am naive of Narnia, but I do trust T&R to get on with the job. Mr Bailiff, I think I am more savvy of Sarnia and I urge Members, (*Laughter*) I implore Members to vote against the Fallaize/Harwood amendment and give the States of Guernsey every chance to effect the necessary and all-important transformation.

2380 **The Bailiff:** Deputy Stewart, then Deputy Gollop.

Deputy Stewart: Mr Bailiff, fellow States' Members, I have to say initially I agree with every word Deputy Duquemin has said. Most of what I will do is speak to amendment K, which is obviously Kev, not so much to L, which is log jam.

2385 But, first and foremost, I do understand and support what Deputies Fallaize and Conder wish to achieve, which is proper oversight of public funds. However, I do not think that this amendment will be an effective way of achieving this outcome and could, in many if not most instances, absolutely jeopardise the success of initiatives under this scheme.

2390 So, in particular, not having business cases over a quarter of a million pounds referred to the States of Deliberation for approval is highly desirable in terms of being business nimble. We have already heard people speak of that. But particularly now on projects, which is increasingly the case, where we are caught in commercial partnerships. They are used to working under commercial terms, commercial timescales and Government really – particularly a government of this size – should aspire to achieve this, but absolutely whilst assuring due governance and oversight on matters is undertaken.

2395 It is certainly my view and a view that is shared by industry across all the economic sectors, from all the personnel I have spoken to, without exception, that Guernsey has to facilitate and deliver with expediency under our economic development framework. And I do hear what Deputy Fallaize says. No, it has not been approved by the States, but it has been through the whole of the industry; it has been to FEPPG; it has been to Policy Council. If we had brought to the States, we would have had it picked apart. Lots of people would have wanted to have added things and the point I make, by the time, sir, we had got an economic development framework in place, once a committee of 47 had looked at it, we would have been at the end of the term and we would not even have been thinking about implementing something and we do need to get on.

2405 Deputy Perrot made a very good point. There are people out there wishing to do us and they are, at the moment, targeting existing businesses on the Island – never mind attracting new businesses to this Island; they are targeting existing businesses on this Island – trying to get them to their jurisdiction and it is happening and it is real and I have had meetings in the last week and I have got meeting next week about this. It is a very real threat. And let's just think about any business plan that is authored by any Department. Whether it is Kev's Fund, Mike's Fund, Yvonne's Fund – whoever's fund it is – it is there for everyone, anyone that can show economic development and the benefit. It has to meet a certain amount of economic criteria. It will have to be carefully evaluated on a returnable investment and meet guidelines and principles published by Treasury & Resources Department.

2410 I firmly believe that significant oversight exists in the process as presented, to ensure we have value for money on these key projects and that direction to return projects over a value of over £250,000 to the States will provide yet another tier in the approvals process; and we go back to Deputy Dave Jones – it is more treacle in the cogs of our Government. And it is more treacle; it is a lot of extra work to rework a business

case, develop that into a States' report, full States' Member engagement briefings, Billet leading time, publication, States' debate, all will add significant time delays to priority-essential project work to help stimulate our economy.

2420 What we already do, certainly in Commerce & Employment, is we publish updates on a six-monthly basis, which clearly details all the projects currently being implemented, as well as project planning in the making. We are very transparent about that and we progress report at strategic level too.

2425 The other thing that I spoke to Deputies Conder and Fallaize about on the phone earlier on this week and is a real massive concern of mine, is the consideration that we have to give to our intellectual property and the data that is going to be presented in any public debate around our business cases. So we make a business case. We have got to put something in the Billet. There will be questions asked and in a lot of cases, hopefully, we have got some really good new ideas to help us get business. Why on earth do we want to put that in a Billet, tell all our competitors what we are doing, so they can steal our lunch before we have even cooked it? Because they will do. It would be crazy.

2430 I have run businesses all my life and some of you, I know, have done the same and I put my house on the line and do you think investing money into something four weeks before I put my house on the line, before I invest that taxpayers' money, I am going to tell all our competitors around the world, exactly what we are doing and how we are going to do it? Fantastic. We would be sunk before we have even started. We really cannot do that.

2435 Competitive advantage relies on us carving out market niches and opportunities which tries to put Guernsey at the forefront of opportunity. It is these areas that are likely to be the greatest growth areas going forward above and beyond our diversification of existing services, where careful attention needs to be paid on developing and building these ideas in commercial and government confidence.

2440 I would like to reiterate this is not some Kev's Fund; this is a fund for any Department here and whatever ideas – whether it is Environment, Culture and Leisure – every single Department will have to demonstrate a clear business case for that and it will have to demonstrate the value to the economy and the potential income or revenue growth for the Island before it will be sanctioned and, by my calculation, whatever board it comes from and, without double counting the Ministers... so it goes from the board that originates it; it then goes to T&R; it will then go to Policy Council. That is 19 Members of this Assembly will be across that business case and part of the entire process – 19 Members!

2445 Now, it not just about trusting T&R; it is the board that brings it up. Hopefully, they have got sensible ideas and then it will go to Policy Council. If we cannot trust 19 Members of this Assembly, then I am sorry. This process, in order to achieve the evidence and workings required to demonstrate both the need and a return, in itself, can be time consuming – working up those business cases.

2450 Actually, the reason why we have only actually gone for £2.4 million is because there was a massive amount of work to do around the Guernsey finance business case – a huge amount; a very difficult business case to present to try and demonstrate that value that we could get back from that – and then we did have to take it to a States' report. Before it did, it went backwards and forwards to FEPG; we reworked it and, with the innovation centre, that has been a massive piece of work. You have got stakeholder engagement. It is not quick and it should not be quick. These things should be properly thought through.

2455 So from initial scoping of projects to research, to drafting, to costing, to finalising recommendations, then consideration by three boards and the fiscal sub-group and stakeholders, this in itself is a considerable amount of work to demonstrate benefits and strategic economic alignment. So please stop to bear in mind that there are a number of projects like this being developed and with limited in-house resource and limited consultancy in parallel.

2460 I just want to give one example that I have touched on earlier. As an example, one such project already under discussion is to look a scheme similar to Locate Jersey – one which I have to give them credit for. It is a very good scheme. It is there to attract and target businesses to the Island, together with high net worth and ultra-net worth individuals – something that we could certainly do with to help stimulate our open market and bring in extra revenue. That is very measurable. This has already been discussed around Policy Council and, hopefully, will be a joint C&E project with Policy Council and will be a candidate for this fund.

2470 Locate Jersey has already stolen a very big march on us in this respect. I would not want to lay my plans bare in this Assembly so that Jersey can get wind of absolutely everything we are going to do and, even if we do not put it all in the Billet, as Deputy Fallaize suggested, sir, there will be the questions from the floor; people will want to know more. There will then be, maybe, media interest.

When I did do my business and when I did launch new products the best way to do that was to hit the market running, pull the rug from underneath your competitors' feet and grab that market share. You do not want to give them at least three or four months' notice, because that is what will happen.

2475 You can shake your head, Deputy Fallaize, but we will have to publish it in the Billet. We are not doing anything at that point. Jersey pick up the Billet, or Malta or Dublin or Luxembourg, 'Oh, that is very interesting. Look at what Guernsey are thinking of doing.' And they are already putting countermeasures

before we have launched our measures. So, probably, whatever initiates we are thinking of doing, we will have to spend more money to beef them up to already counter what they are doing, because they are in right ahead of us.

2480

So, please, I do urge you, trust the fact that this will be going through 19 Members of this Assembly as it stands. We do not need to bring these projects back. There will be full accountability around these projects. Last time I looked, we have got a Public Accounts Committee and we have got a Scrutiny Committee, and certainly Commerce & Employment is extremely open. I urge you, please, do not give an advantage to our competitors. Please vote out amendment K and also I would also urge to vote out amendment L.

2485

The Bailiff: Next I call Deputy Gollop, who will be followed by Deputy Trott, Deputy Perrot and then Deputy Conder.

2490

Deputy Gollop: Just a quick technical point. Of course, these two amendments, although Deputy Fallaize presented them together, are not idle alternatives; they are for very different funds and they will have a different effect and I think it is important to emphasise that. I am likely, actually, to vote against both.

2495

We heard earlier Deputy Duquemin say, 'What we want is progress, not process.' Well, he of course, at least once if not twice, has been our Man of the Match in the Jersey-Guernsey Government united interim cricket match and Deputy Stewart talking again about this lunch issue reminds me that, maybe one of us actually ate the Jerseyman's lunch and breakfast, whether we were supposed to or not, before they had arrived; but we will not carry that too much further. So it is not all one way; that is the point I am making.

2500

But, Deputy Fallaize, to justify the amendments has made the point, of course, that there are speedier ways of proceeding than our current methodology. He is right. We could have more emergency Billets. We could go more to a Jersey-style Order Paper system, whereby each meeting they adjudicate as to what they will have in the next.

2505

The problem is though, I seem to remember SACC – of which two or three Members supporting these amendments – ruling against fortnightly States' meetings. Now, whilst we are stuck on this monthly cycle, we will never get the speedy decision making necessary for an Assembly-wide decision; and I also add that I think this year, not last, has shown that maybe the Budget should be a standalone States' meeting rather than a generic one with many other things included.

2510

Deputy Perrot objected to part of my last speech, but the point I was trying to make was not in any way accusing Treasury & Resources of being an idiosyncratic executive, making decisions without consultation. I think it is clear that they will consult Departments and those views will be taken up with business cases. The difference is that we are delegating authority to the Department to make the final decision, rather than deciding on the floor of this Assembly which I think, generally, we have.

2515

It is interesting Deputy Stewart mentioned the Guernsey Finance example and I certainly remember Members past and present questioning every penny that was spent on that and so on. That will not be available in the future if we reject these amendments.

2520

But I have always generally been a supporter of a move towards a more executive, trusting, accountable style of government, away from Assembly decisions on every issue. The points Deputy Stewart has made about the time, the extra work, the extra Civil Service cost in some cases and the loss of competitive advantage, are real ones. We cannot necessarily take the time to have 47 people agreeing every topic and, indeed, even amending it on occasion or delaying it or it being delayed because we end up with too much work in a three-day period.

2525

For all of those reasons, I think we have got to have a more mature approach and I think the focus of this Assembly should shift more towards scrutiny of executive decisions and greater clarity on who we elect to make those decisions and why and that has to be a way forward and I do perhaps suspect that these amendments do take us backwards too much to the 1990s when the Billets were almost as thick as today, but they had 32 items including every conceivable increase in charges or expense of £50,000 on a LandRover or something. We are in a different era and this is part, I think, of a programme that we have to, in some cases, reluctantly accept that our political environment is changing.

2530

The Bailiff: Deputy Trott.

Deputy Trott: Thank you, sir.

2535

This is a tricky one. It is a tricky one because if I was Treasury & Resources Minister or a Member of T&R, I would want delegated authority and what does that tell you?

Sir, can I just reflect on something that a very good friend, Deputy Stewart, said a moment ago and how sometimes language can be confused. He said, 'Before I put my house on the line, before I invest taxpayers' money.' Well, sir, may I reassure electors that we still have some checks and balances in place (*Laughter*)

2540 *and applause*) in this Assembly and, to my knowledge at least, we have not used public funds to purchase Deputy Stewart a grace and favour house just yet – (**Deputy Stewart:** Not yet!) indeed, but the time may come.

What makes this debate interesting is it is all about governance and not about trust and let me tell you why I am struggling with it. I am struggling with it because Deputy Stewart makes some very valid points about handing the opposition an early heads up.

2545 But let us just imagine the Treasury & Resources Department are faced with an overspend at Health & Social Services. Now, I doubt they will in the future, for a whole variety of reasons, but let's just imagine they were. We are going to set next year Budget at about £113 million. So if they were to go 2% over that or about £2.25 million, T&R's delegated authority would come to an end; there is a ceiling. T&R would have to return for this Assembly's approval. In fact that very situation happened not so long ago.

2550 However, the funds that we are talking about here amount to £7 million which would mean that a factor of at least three times that could be dealt with without any reference to this Assembly whatsoever. Now, I am certainly not going to offer an opinion as to what is right and what is wrong – I will give way to my good friend, Deputy Fallaize.

2555 **Deputy Fallaize:** I thank Deputy Trott for giving way. Of course, if he is considering the two amendments together, we are talking not just about £7 million, but about £32 million.

Deputy Trott: Well, indeed we are.

2560 So, whilst I am not going to offer an opinion, sir, at this stage, because it would be very interesting to hear the Treasury Minister's view on this before I do so, there is an element, I think some might agree, of hypocrisy in the manner in which we are approaching this. Now, I am all for expediency, but I am also for consistency.

Thank you, sir.

2565 **The Bailiff:** Deputy Perrot.

Deputy Perrot: A short but, I hope, important point, apart from thanking Deputy Gollop for confirming that I am not idiosyncratic.

2570 But this concerns the reference by Deputy Fallaize to the Contingency Fund which, in a moment of levity, he says he is going to continue to call the 'Rainy Day Fund'. Now, I think it really is important to understand that Treasury wants to re-characterise this utterly.

2575 I think, yes, I am the only person who was in the States in those days, in 1986, when the Contingency Fund was set up; and it was set up because we had to put the money somewhere and life was pretty good in those days and it was very sensible to create what was then called the 'Rainy Day Fund' but successive States have been very, very sensible about their approach to it and I think it was entirely right when we were forced by Europe to go into Zero-10 that we split that and one was called the Tax Strategy and the remainder was the Contingency Fund.

2580 In recent months there has been quite a noticeably – at Treasury Level anyway – different approach by some of the spending Departments to the Contingency Fund. Certainly, I was alarmed one day when I asked somebody, 'Well, what would you do if you did not get the money that you are asking for?' and the answer to that question was, 'Well, we will spend it.' What he really meant was, actually the Contingency Fund will provide and it must not.

2585 The Contingency Fund must be our core fund. It must be not just the family silver; it must be the Crown Jewels. So if Deputy Fallaize is going to continue to call it, in his jocular way, the 'Rainy Day Fund', it has got to be the 'Raining Cats and Dogs Fund', the 'Raining So Heavily You Cannot Get To The Pub After The States Fund'. (*Laughter*)

2590 So tonight, before he says his prayers and he writes up his diary, I want Deputy Fallaize to say, 'Dear Diary, nice weather. Went to the States today. Made a bit of a joke today about the Rainy Day Fund, but I must, I must, I must realise that only in the most *dire* circumstances would one ever contemplate making any incursions into the Crown Jewels.' Quite the contrary what we have got to do is to build that fund up. It is all we have got.

The Bailiff: Deputy Trott.

2595 **Deputy Trott:** On a point of correction, if I may, what we are doing is we are taking a dollop of dosh out of what we hitherto called the 'Rainy Day Fund' and giving it across to T&R to spend on something like Economic Development without any reference to this Assembly. (**Several Members:** Yes.) That is what is happening.

2600 **Deputy Perrot:** Point of correction.

I was talking about a remark made by the mover of this amendment in respect of the designation of the Contingency Fund. I would say that it was perfectly in order for me to say what I have said. I know that Deputy Trott adores interrupting, but I think that that was not appropriate.

2605 **The Bailiff:** Deputy Conder, then Deputy Green.

Deputy Conder: Thank you, sir. I hope my voice will hold up and I do not embarrass myself, as I did earlier on.

Sir, I am pleased to second amendment K, as it called.

2610 During the course of this debate, I feel a lot of the discussion has reflected perhaps frustration with our form of government, in which this Assembly is of course our Government in which some of our colleagues really perhaps struggle to accept the decision we made in July where we rejected executive government and confirmed our commitment to committee-style government which is focused within this Assembly.

2615 If that is the case – and it certainly is the case – we cannot duck this Assembly’s ultimate responsibility for financial stewardship. Of course, we have T&R and they act on our behalf and do a splendid job in all respects, in my opinion. But, ultimately, financial stewardship lays with the Government and the Government is us. So I think that frustration expressed by a number of colleagues is perhaps misplaced, although understandable, particularly in the context of amendment K. That is really where I start my speech and the process by which I will support, very strongly, the amendment which I am proud to second.

2620 Having said that, I would like to thank Deputy Stewart, the Minister for Commerce & Employment for his very courteous phone call, in which he explained his misgivings about this amendment, which certainly did help me and has influenced what I am going to say. I have to say in the early days of this Assembly, when I first was a Member, I was less than certain about the progress of our Department of Commerce & Employment. There seemed to be lots of promises and perhaps not so many outputs, but I have now come to believe that this Minister, I have to say – unlike his predecessors – I believe, is going to deliver and does deserve our support. (**A Member:** Hear, hear.)

2630 We do need to see outcomes, but I believe we will see outcomes. Very few and certainly none of his predecessors showed the innovation, entrepreneurship or sheer energy that he has demonstrated and I do not want to make it more difficult for him to deliver on his ambitious promises; but I cannot escape our responsibilities as this Government to exercise proper governance.

I believe the figure of £250,000 is a good starting point. What Deputy Stewart was not able to explain – and I do not think he would be at this moment – is how many of the projects that he wishes to develop would be above the *de minimis* level of £250,000; because I believe that half a million pounds is a good level for boot strapping business, but I do not know and perhaps only experience will show.

2635 I still think this is a sensible compromise in which we, as the Government, retain initial control of these projects. I understand the concerns about intellectual property. I understand the issues about commercial confidence. I have been there. Like Deputy Stewart, I have been there myself and we do want to give away any of our secrets, any of the potential, which he and his colleagues – but he, in particular – is working so hard to make happen.

2640 Could I suggest that really we are in an experimental stage? I have no objection to this fund being created. In fact, I am delighted it has been. I have no objection and think it is absolutely right that C&E should have access to such boot strapping funds, but surely we should actually give it chance. Let’s see how this works. £250,000, it seems to me, is a good *de minimis* level. Why don’t we give this a chance? There is absolutely nothing to stop the Minister coming back – sooner rather than later, if it is a problem – to this Assembly and say, ‘This is not working. This is inhibiting my ability. I understand the necessity for proper stewardship, proper governance, but it is absolutely inhibiting me.’ We do not know that yet. I would suggest he does not know that yet.

2650 If he does come back to this Assembly – as I said, sooner rather than later – and wishes to lay a proposal in some form and is able to demonstrate to us, our Government, his Government, that it is producing a problem, I will second it. But I think at the moment this is the appropriate level for us to see whether this new initiative will enable Deputy Stewart and his colleagues to drive forward these critical economic initiatives, still maintaining the proper level of corporate governance, the proper level of governmental responsibility that we all have. But, by all means, if in due course he believes that this is inhibiting come back to us, come back to us and tell us that we got it wrong and then let us put it right. As I have said, it can be sooner rather later, if that is the case.

2655 But there is a fine balance between our responsibility as a Government to exercise proper due diligence, proper governance over these projects and the Minister and his colleagues’ absolutely understandable desire to drive forward our economic development that is so critical to us.

2660 So, I strongly recommend we support this and, as I said, I would have no problem if it does prove to be a problem, to revisit it at any time.

I urge colleagues to support this amendment.
Thank you, sir.

The Bailiff: Deputy Green.

2665

Deputy Green: Mr Bailiff, thank you very much.

Actually, just to touch on what Deputy Richard Conder just said, I think that was a very powerful analysis actually of the need for balance and I will return to that in a moment.

2670

Where I start with these amendments is not necessarily where I finish. I think there are two immediate issues that I really look to Deputy Fallaize to address when he sums up at the end. First of all, the somewhat arbitrary nature of the *de minimis* levels that he has indicated in amendments K and L, because I suspect that the figures of £250,000 and £100,000, respectively, are entirely arbitrary and probably plucked them from the ether.

2675

And, secondly, what is the actual case for differentiation between those *de minimis* levels? Deputy Fallaize said he would deal with that. I do not actually remember him dealing with that issue in his opening speech. I may be wrong, but in any event if he could deal with that in his closing remarks I would be assisted by that.

2680

As I say, that is where I started from in this, but actually I think the place where I have ended up is somewhat different, because I do think that both of these amendments are about sensible, reasonable, controls and an appropriate level of accountability and scrutiny within the system of Government that we actually have.

2685

Obviously, these amendments offer something of a fetter on the ability of T&R to approve applications for funding under the Economic Development Fund and also in relation to the Transformation Fund. I definitely support the Economic Development Strategy and I absolutely support having an Economic Development Fund, but in a system of Government where our Assembly is the executive, I see these amendments as good housekeeping and I think these amendments deal with the system that we have, as it is, and not as we might like it to be.

2690

I have got no problem with T&R having a certain amount of delegated power to approve smaller projects. As I say, the *de minimis* level is not something I necessarily agree with, but £250,000 is not an enormous sum of money in the grand scheme of things. But I think it is generally prudent for this Assembly, with the system of government that we have, to have proper oversight of potentially larger projects and that is not because I do not trust T&R, it is not because I do not trust C&E, because I do. It is more about the public expectation and our duty to scrutinise all substantial new expenditure and for us to discharge our duties properly, within the system of Government that we have. I do not think that is unreasonable.

2695

Now, Deputy Gollop, who is at the back there, who was talking about the Rules of Procedure – and, indeed, Deputy Fallaize touched upon this point as well – that, actually, there is provision within the Rules as they are currently constituted to issue Billets more quickly and to get things moving more quickly and I recognise that. But, in any event, in terms of what Deputy Gollop says, why can't this Assembly meet fortnightly? Why is it that we have to stick to the tradition of meeting only once a month? If there is a good case for meeting more regularly with a view to getting policy and development quicker, then let's debate it, let's discuss it, let's do it. Let's not just harp on about the current system. There is provision for us to change that system if we really wanted to do so.

2700

I understand why some Members say these amendments will slow things down – it will be wading in treacle; but I do see this as proper scrutiny within the democracy. And the thing with democracy is that it does take time and quick decisions do not always represent the best decisions and when you are dealing with potentially large amounts of taxpayers' money, quick decisions are not always the best.

2705

Turning specifically to amendment L, again, I do not think this need stifle anything. I passionately support the idea of a Transformation Fund, because I can see how it will potentially benefit the Social Welfare Benefits Investigation Committee, the Supporting Living and Ageing Well Strategy, the Strategic Asset Management Plan. All of those things are things that I strongly support and there is a real risk that if we do not have appropriate funding there, then some very radical and necessary social reform and some very substantial rationalisation of States' property will not happen in the way that we want it to. But not everything has to be done at 100 miles an hour, with speed; it needs to be done right as well as quickly.

2715

So, as I say, I started from a slightly sceptical point of view, because I can see there is a certain arbitrary nature to elements of these amendments and I cannot see what the differentiation is between them but, nonetheless, I think, having listened in particular to Deputy Conder's speech, I think within the system of Government that we have, these amendments make perfect sense and I will be supporting them both.

2720

The Bailiff: Deputy Harwood and then Deputy Luxon.

Deputy Harwood: Thank you, sir.

As Deputy Gollop reminds us, we are looking at two amendments here relating to two different funds. I stand to second amendment L which relates to the Transformation and Transition Fund. I have not seconded
2725 – and I was not asked to second, actually – amendment K.

I would point out to Members that many of the arguments put forward by Deputy Stewart in relation to amendment K, particularly in relation to the commercial sensitivity, giving people advanced warning of initiatives that Guernsey was taking, certainly would not apply to amendment L. They are two totally different animals.

2730 Amendment K – I have sympathy with Deputy Stewart and, notwithstanding... I have shared the same proposer, I may well support Deputy Stewart's views on amendment K. But the arguments that he has put forward certainly do not apply to amendment L.

The whole nature of Transformation and Transition Fund: firstly, it is a completely new animal; it is not something we have really worked with before. Secondly, it is of its nature, I think, of a longer term evolving process, rather than the more immediate process than responses required in relation to the Economic Development Department. Therefore, I think it is no problem for Treasury & Resources to bring back to this Assembly proposals where they have identified appropriate uses for that fund. The urgency is not the same as for the Economic Development Fund.

2740 I do endorse Deputy Green's comment and Deputy Conder. This is all about governance and I know people do not like the expression 'governance'. It is, as Deputy Stewart said, seen as treacle to stop the wheels of motion, but we are the stewards of taxpayers' money. As we said earlier in the debate on the creation of the funds, we are taking out of the Rainy Day Fund – and what is still regarded as a Rainy Day Fund; it will become under a new title – where there was control by the States and putting it into the hands of Treasury & Resources, two separate funds.

2745 The one I am concerned about is the Transformation and Transition Fund. There is a large sum of money going to that. It is not something we have been used to. It is something where we, I believe, as stewards, need for the taxpayer, do need to exercise some control. Yes, we can have scrutiny; yes, we can have the Public Accounts Committee, but that is really only able to work after the event, after the expenditure has been incurred.

2750 This actually means that this Assembly will have knowledge before the expenditure is incurred. So, whatever your views are about amendment K, I would strongly urge Members of this Assembly to support amendment L. Whether £100,000 is the right *de minimis* amount or not, I have had discussions with Deputy Fallaize... I am more like Deputy Perrot was before lunch; I am somewhat agnostic. If somebody wishes to amend and put forward a higher figure for the *de minimis* test then so be it, but I do believe we, as an
2755 Assembly, need to exercise some degree of scrutiny and it is scrutiny before the expenditure which is the essential part in relation to the Transformation and Transition Fund.

So irrespective of which way Members want to vote on amendment K, I would ask support for amendment L.

Thank you.

2760

The Bailiff: Deputy Luxon.

Deputy Luxon: Thank you, Mr Bailiff. Just briefly, I am very happy to support amendment L, Proposition 23.

2765 I listened to Deputy Richard Conder in great detail and I totally agreed with absolutely everything he said, every word – apart from his outcome and decision. (*Laughter*) So I would ask you all to reject the amendment and not support it. And the reason is that, for me, Deputy Conder explained exactly what we should do, which is we should put a line in the sand and say, 'If the Commerce & Employment Minister is finding it is difficult, come back and we will actually change it, we can revisit it.' Well, I just say, rather than put the line there, why don't we put the line that we actually let Commerce & Employment get on with it and if we see we do not like what they do with the investment then, absolutely, we can change it.

The reason is Jersey dances to slow, slow, quick, quick, slow. Guernsey has been dancing to slow, slow, slightly less slow, slightly less slow, slow – economically. We need to go front foot. We all want to see increased revenues to be able to fund these really important social services we all care about and what we have to do is recognise our economy has stalled slightly, in spite of what our Commerce & Employment
2775 Minister will say on the front foot. It has stalled slightly and it does need some boosts. I would give them a daily dose of Red Bull everyday if I could. (*Laughter*) We really, really need to show some positive support and that is the initiative that Deputy Stewart talked about, that the Chief Minister and I have been working on, trying to stimulate the open market again, to try and stimulate that area of high net worth individual,
2780 which the Commerce & Employment Minister is taking forward.

I just ask you, just suppose tomorrow – just suppose – as unlikely as it is, that the Minister of Commerce & Employment had a *really* good idea tomorrow morning. I know it is difficult to imagine, (*Laughter*) but

2785 just suppose he did – (*Interjection*) and it was about gigabyte, gigabyte, gigabyte, digital and all that stuff which I do not understand – and it had to happen quickly and it would have great economic benefit for our Island, therefore great economic benefit for all our people, but it would take three months to go through the process of producing a Billet.

2790 I heard what Deputy Green said about emergency Billets, which I do not think the presiding officer necessarily would acquiesce to if it was not of a really serious matter and I do not think this States particularly likes us meeting on different days to the days that are actually scheduled. So it is all very well saying we can do things differently, but we do things how we do them and sometimes you have to be fleet footed. It is a lot of money, but it is a tiny amount of money when you look at it in terms of the GDP of the Island.

2795 So, sir, I would ask people to reject amendment K and let Commerce & Employment get on with delivering some of these good ideas that they have been having.

2795 Thank you, sir.

The Bailiff: Deputy Le Tocq.

2800 **The Chief Minister (Deputy Le Tocq):** Thank you, sir,

2800 I commend the comments that have been made already by Deputy Duquemin, who I thought gave an excellence speech, and also by Deputy Perrot as well for his highlighting the reasons why we need to see a change in the way we have thought about things in the past. It is because the world around us in changing and we have to adapt our responses to that because, potentially, we are working in a different market, a different environment, a different global situation and there are jurisdictions out there who are not only our competitors, they are in some way seeking to get at us and there are organisations, as Deputy Perrot said, who want to bring us down or affect us in a negative way.

2805 As a result, we are right to be cautious – *absolutely right* – and I think both of these amendments come from that background of caution in how we plan for the future and how we move for the future; but Deputy Harwood is absolutely right in that they are dealing with two different things.

2810 So the one that deals with the Transformation and Transition element is more internally focussed. At least to begin with, it will be about how we move things on, in terms of the way in which we do work as a States and a Government and we change and develop effective ways of working that are more appropriate for this island and develop policies and plans that are better for our community.

2815 The one that relates to the Economic Development is different kettle of fish altogether and I think that is more outward focussed. And I have said it before, but I think it is appropriate to say it again here: there is a great danger, when we look at amendments like Amendment K that we would be tempted to support it because we think it is too risky left unamended and this amendment somehow mitigates that risk. But we forget to properly examine the risk of not allowing Commerce & Employment and those that Commerce & Employment work with, in terms of economic development, to work more effectively, swiftly and certainly urgently in this environment that we find ourselves in at this stage of the economy in the west; because if they cannot do so, there is an implicit risk there that we miss all the opportunities because of timing. We miss the opportunities because we have not got the resources to put in place at the right time or we are still, that we share with the world in general the sorts of ideas that we are having and we are not then able to use them effectively.

2825 I am well aware of jurisdictions right now, close to us and further away who have already stolen the march in some areas where we could have, if we had this sort of facility available for us, we could have acted far more swiftly. And those who might say, ‘Well, Commerce & Employment have not required these sorts of resources up to now in the past two years’, are missing the point that it has taken this amount of time, bearing in mind our system, to come up with proposals and ideas and to be ready to go.

2830 I know that the next 18 months could see – providing, I think, that this amendment K is defeated; if it is not, I doubt whether we will see anything like we potentially could – but the next 18 months could see a number of initiatives coming to play that will really help Guernsey to build its industry, not just in terms of finance, but right across the spectrum for the future. And that is a risk we cannot afford to miss. We need to make sure that we are giving all the opportunity and sending out the right signals to businesses and to individuals who want to do, and could do, business in Guernsey, because the choices are far wider than they have been in the past.

2840 I think somebody said once, ‘What we do not need is a new version. We need a new vision.’ And the trouble is we can be too easily satisfied with tweaking things, because that was the way that, perhaps, we have gone in the past. In the area of economic development, we need to be far more fleet of foot; we need to trust that there is proper scrutiny. And it is not like the choice is between no scrutiny or always coming back for amounts above this level to this Assembly. That is not the case – as has been pointed out – there will be at least 19 people involved in scrutinising this sort of facility, which in the new Assembly may well be the majority anyway – that sort of number.

2845 So I think we need to be far more trustworthy. We need to recognise that we put people in place and we have given them the job to do. Let's know put, as Deputy Green indicated, fetters upon them – which I think the dictionary definition is something that we put over a prisoner. We trust these people. We have given them a mandate. Let's allow them to do their job for the benefit of our all in Guernsey, because this is an outward facing thing. So I encourage Members to reject amendment K, but I am happy to support amendment L.

2850 Thank you, sir.

The Bailiff: Deputy Dave Jones.

Deputy Dave Jones: Thank you, Mr Bailiff.

2855 I am really torn on this, because I feel that the level of scrutiny that we have as a parliament must be maintained, but at the same time I recognise all the issues that are facing us, that Deputy Perrot has so eloquently put forward today.

2860 Fourteen years ago I sat directly behind Deputy Perrot, between where Deputy Inglis and Deputy De Lisle are, warning the people who sat up here in those days about the predatory nature of the EU and they used to laugh at me and thought I was some sort of swivel-eyed loon, (*Interjections and laughter*) which is the modern idiom for describing that.

Slowly over those years... In fact, my very good friend, Deputy Trott, only said to me a few months ago, that when I used to talk about this 10 years ago at the ERG table, most of what I predicted has come true and been proved right.

2865 Now, these threats to us are not going to go away and, while I have some reservations about handing over huge amounts of money to a particular Department, the elephant in the room for us is that if we do not have the ability to act quickly and be very fleet of foot, then we can get caught out as we have done in the past. Nobody was more against the Brussels office than I was, banging the table at the time, saying we do not need this, it is a complete and utter waste of money. But actually it has turned out to be more successful than I could imagine, because it has proved to be more proactive where we were always – as Deputy Stewart talked about the back foot... we were always on the back foot. We were always reacting to what was coming down the road from the EU, the OECD.

2875 We have now got the US FATCAs and we have got the UK equivalent. All this racket that is being ratcheted up against us all the time. And we have lost business – there is no doubt about it. The scaremongering that has gone on through the UK government about people investing money in off-shore... And because they know that we are not a tax haven and everything that we have told in the past has turned out to be correct, they have now turned it into a moral argument. So desperate are they, not only to take your lunch but your whole complete livelihood, they have now turned it into a moral argument to say, 'Well, even though you are not actually breaking any laws or any tax laws, you are morally wrong, because it is just morally wrong that you should not pay more money to us as and when we demand it and decide to invest it elsewhere.' That is how ridiculous now this argument has got about the business that we do in these Islands – the Isle of Man, Gibraltar and many other places.

2885 So, on balance, I am not going to support K. Before lunch, I was because I thought, 'No, we need to have this kind of scrutiny', but it has really come back to me that these threats have not gone away, they are going to get worse. Much to the dismay of many in this Assembly, I was at Doncaster this year at the UKIP conference and some of the things I heard there that are coming out the pipeline for so-called levels against tax evasions and other things are just scary in the extreme.

2890 I have just had something through on e-mail today about a press release on uniform reporting... Sorry, what is the word I am looking for? Reporting... Sorry, it has gone. I will have to read it. (*Laughter*) It has been a long day. But it is about the fact that we have to be the same as every other jurisdiction in reporting our tax affairs – that is what it is – on a uniform basis.

Now, I predicted many, many years ago that having a targeted information exchange would not last very long; they would soon want automatic exchange of information and, low and behold, three years later, that came down the pipe and now it is the norm and it is going to get worse as the years go on.

2895 So I will support the Treasury & Resources, I think with a big caveat, though, that we will be watching. We will be watching where this money is going and the kind of use that Commerce & Employment will be putting this to and very soon I think if the Chamber are unhappy and the business cases and the business is not starting to come in, then there will be a rethink of that. But we have to do more; we have got to get out there and earn some money. In the days that Deputy Perrot was referring to, back in the 1980s, we had so much money we did not know what to do with it. Those days are gone. We are writing cheques now, in many ways, that we cannot honour some days and we have got to get out there, generate more business – Sorry?

2905 **Deputy St. Pier:** Sir, point of correction. I think it is highly misleading and should not stay on the record without being corrected.

Deputy Dave Jones: Well, okay. I was thinking of the bond issue then. We might be writing cheques in the future that our children and our grandchildren may not be able to honour then. Let us put it that way.

2910 **Deputy Lowe:** And if we are making points of correction, we did not have so much money we did not know what to do with, which is totally inaccurate.

2915 **Deputy Dave Jones:** Well, funny you should say that, because that comment was made to me by the then Member of Advisory and Finance, Deputy Lowe, so take it up with him. *(Laughter)* That was the point that was made at the time.

2920 But that is no longer the case. We are living in a completely different world and we have got to react much quicker and we really do have to now get out there and generate some new business for this Island. We can become prosperous again. I have no doubt about that at all. We are very good and if you go back through Guernsey's history and look at what we have done to keep the Island's economy going, we can get back to those days, when we are in the black more often than we are in the red; but we are going to have to get out there and work for it. Nobody owes us a living. They are not going to give it. We are under attack constantly and we have got to not only fight off those attacks but we have got to get out there and generate some business.

2925 Thank you.

The Bailiff: Deputy Soulsby, then Deputy Gillson.

Deputy Soulsby: Sir, yes, I will just speak briefly.

2930 Just really to endorse the comments made by the Chief Minister. I thought he put the reasons why it is probably acceptable to support amendment L but why it would be a real retrograde step if amendment K was supported.

2935 I would just like to reiterate a couple of the main points, why I believe that is the case. The Economic Development Fund will be used to pay for projects which, by their very nature, will be of great interest to our competitor jurisdictions and I do not just mean in the financial services world, which is where you automatically things. Innovative ideas currently are being formulated in IT, tourism and other emerging sectors, which will have value. Making detailed information that will be necessary to satisfy Members here will effectively be giving our trade secrets away for free.

2940 Secondly, we need to get from idea to implementation as quickly as we can and, as the Chief Minister said, we need to be fleet of foot. The sooner projects can be actioned, the sooner C&E can make a real and lasting difference to our economy. Waiting three months for a States' meeting and without knowing whether a report will be approved or amended is neither practical nor acceptable.

It is for this reason, therefore, I urge Members to reject amendment K.

2945 **The Bailiff:** Deputy Gillson.

Deputy Gillson: Sir, I think, hopefully, the general feeling seems to be that L will be supported by most people.

2950 I think I will just make one comment to answer Deputy Duquemin's speech. This is not about trust; it is about putting in place good governance. **(Several Members: Hear, hear.)** I will use a parallel: I spent 20 years in the finance industry when we operated systems of A and B signatories. Now, I employed a number of people. It was not that I did not trust them, but we had A and B signatories. That gave our clients comfort that we were looking after their money and good governance in this Assembly and the Government gives the public confidence that we are looking after the money. **(Several Members: Hear, hear.)**

2955 So I think to say we need to trust people – it is not a matter about trust; it is a matter of having good governance and we see that throughout Guernsey.

I will concentrate more on K, which seems to be the one that most people are finding difficult supporting. I am going to support it. I think that I fully support the funds being created. I have a lot of sympathy with what Deputy Stewart and Deputy Soulsby have said, and others, about being fleet of foot.

2960 What I suppose disappoints me with Commerce & Employment is they did not, as I understand it, discuss with Deputy Fallaize, a different level. They did not say, 'Well, £250,000 is a bit low; what about half a million or £750,000?' – something they could work in, but would still provide some comfort to Members.

That disappoints me. I would have had a lot more respect for Commerce & Employment if they had have actually... or even laid an amendment to this, saying, 'Let's increase it up a bit.' But just to say, 'No.

2965 We want a *carte blanche* on the £7 million...’ I know if it is not just Commerce & Employment; it is open to everybody, but I was disappointed on that.

Deputy Stewart: Sir, just a point of correction.

2970 I did actually spend time on the phone with Deputies Fallaize and Conder. My main concern was more around laying the plans bare in the Assembly. Secondary to that was obviously the money and the time span, but a lot of it is around laying the plans bare to our competitors. So those discussions did take place.

Deputy Gillson: It does not alter the fact that you have not placed any amendment to increase the limit to something you may think is more in keeping.

2975 I think I also take issue with a couple of statements you made about any plans being scrutinised by 19 Members of the Assembly. I disagree with that, because when you read the Report, it says,

‘It is recommended that [T&R will be] given delegated authority, following approval in principle by the Policy Council...

2980 The Policy Council will not be all over it. They will just be given the option to look at it ‘in principle’. But also that is just in the text. What you need to remember is what are we actually resolving and when you look at the Proposition there is no mention of Policy Council; the Proposition says,

‘... and to delegate authority to the Treasury and Resources Department to approve the use of this Fund.’

2985 This Assembly is not being asked to give T&R authority, subject to Policy Council or after Policy Council. We are being asked to give authority to T&R alone. So the idea that there is 19 people – no, there are not.

But perhaps there is a compromise that can come out of this because, in a way, this is a little bit early for producing this fund, because when you look at one of the final sentences about the three bullet points, it says,

‘Treasury & Resources Fund will, in conjunction with the Policy Council develop clear criteria for the use of the Fund.’

2990 Now, it is worrying to me that we are being asked to delegate... That wording, by the way, appears exactly the same on the £25 million fund. So it worries me that we are being asked to delegate authority and T&R’s original Proposition to delegate full authority for £30-plus million, for criteria that have not been determined, have not been produced.

2995 So I would suggest to people that we support both amendments, we support the £250,000; that T&R and the Policy Council come up with developed, clear criteria and perhaps if there is a feeling that those criteria could allow a higher limited, then those criteria can come back to the States with a short report saying, ‘Because we have now got these criteria and we think that the Assembly will be satisfied that these criteria provide enough governance, then we suggest a slightly higher limited, whatever that might be’. But I am loathed to just approach either of those two Propositions without these amendments.

3000 So I urge Members to support both amendments and if the limit is a problem for Commerce & Employment, when T&R have developed these criteria, they bring it back to the Assembly and suggest a higher limited based... and we can then make a knowledgeable decision, knowing what the criteria is; because, quite frankly, I have got no idea what the criteria is. We have heard various bits of it, I think, and I think it is atrocious governance to suggest just giving this money to a Department without proper criteria being defined and laid out. (**Several Members:** Hear, hear.) (*Applause*)

3005 Thank you.

Deputy Brehaut: Thank you very much, sir. I too, if I could – but I cannot; I have my glasses in my hand – would have applauded that speech too.

3010 I am going to support both amendments and I do not mind referring to amendment K or amendment 250K, rather than some childish ‘Kev’s Fund’ (*Laughter*) that we seem to have to playfully toy around with, in the idea that even referring to it that way makes it a *de minimis* sum in itself.

3015 I enjoyed Deputy Duquemin’s speech, in particular. I could tell he was in advertising for so long. He has certainly got the knack, with the repetition within his speeches and little catches like, ‘Now, I am going to grab your attention.’ And I enjoyed Deputy Stewart’s speech and from that learned he is in business, because he tells us quite frequently.

3020 Now, there is mix that comes together very occasionally that is very dangerous – even incendiary – and that mix is impatient millionaires and politicians. Now, I know that might be one and the same. (*Laughter*) It could well be, as I look up! But the place we usually find them is in the IOD meetings... the conferences of the IOD, or whatever they are called, and it is there where politicians and senior staff can be referred to as ‘process monkeys’. That is one thing you can call them and you can even say that you are working at a

high level to circumvent planning laws to deliver on greenhouse sites – not true and it had to be corrected by the Chief Minister, but that is the danger. That is the danger of freefall conversations in other places, giving commitments without the hassle, the annoyance of due diligence and this Assembly. I do not mind slow, slow. This is taxpayers’ money. Let’s rein ourselves in a bit.

3025

What happens if the Imperial Vacuum Production Company of Shanghai moved to Guernsey, or at least their head office, and it does not work out? How will we know that? I think if we understand what the sums are involved... and we also need to understand when things do not work out and when things fail. How do we know that?

3030

If go back to the Aircraft Registry, the Commerce & Employment board prior to this one talked this up as a solid joint venture: this was with Jersey and Guernsey all pulling in the same direction; this was beneficial for both Islands; this was going to happen. Well, Jersey fell away and it has happened but it is a bit on the slow side. It has not taken off in the way that we would have liked it to.

3035

So how do we measure? So the key to measuring that, the key to getting an appreciation of that is having oversight in the first place of understanding. I do not think we need to see each and every last deal of every application, but we need to look at... Although I did not agree with a lot of what was written in the Wales Audit Office, in essence, it was saying... and this is a thing that comes up and we have done it with St. John Ambulance and Rescue – which is do not look back; do not rake over the coals; do not pull those skeletons out from the cupboard. Do all of that, please! Please do all of that. This is taxpayers’ money. Due diligence, slow down, take a breath, rather than... and we think about the conversation earlier this morning where we are talking of midwifery – £1.4 million being a real help right now, but we are sort of happy to farm off £7 million and things may work out, things...

3040

What I do not... as it crosses my mind, if we do spend £7 million it is very difficult to measure the return on that anyway. It is a bit of a have a go, isn’t it? Because under the tax system that we have – under ETI – how much do you have to invest to get people over here, to get the return? And, perhaps, in some of the information we could be given with some of these opportunities, then we could have some of that information too.

3045

But I make no apologies for going ‘slow, slow’, as Deputy Luxon calls it, at a time of fiscal restraint. If we have got a budget deficit it is nice to know where the money is going and to give an indication of what the returns might be. Now, other places – and we do the same – have invited Chinese organisations over and other organisations. They sort of see what you do, they embrace it and then it becomes theirs and that is the other risk of doing this: while you show people what you do, you effectively, if you are not careful, give them a carbon copy which they take away and attempt to replicate and that is a real risk with going to different markets and looking for business expansion.

3050

But, please, I understand the excitement, I understand the need for ETI to go on, I understand the brave new world of new business, but also we need to remind ourselves of where we are today – taxpayers’ money, and a lot of it, so please let’s take care of it.

3055

Thank you. (A Member: Hear, hear.)

3060

The Bailiff: Deputy Langlois and then Deputy Sherbourne.

Deputy Langlois: Thank you, sir.

First of all, very, very well said by the Chief Minister, in terms of getting some balance into this debate when it was beginning to polarise rather dangerously. We are a bit down the slope again since then, but there was a very important turning point in this debate. Deputy Fallaize chose to introduce the two amendments together and for a while there were a number of us around thinking, ‘yes, he is making, substantially, the same argument here’. Deputy Harwood made a very clear distinction between the two amendments and I think it is extremely important that we should do that and before you make a decision to vote, you do look to quite separately.

3065

Deputy Harwood then talked about the most important – I may be misquoting him here, forgive me, but the implication was the most important consideration is that we are stewards of taxpayers’ money and that has been echoed by a number of people since then. Well, all of this started – well, it really took a turn, in my view, for the worse in many ways – with a body called the Wales Audit Office – an august body of high standards and reliable reporting (*Laughter*) who wrote a report for us and all of a sudden we sort of got obsessed with governance. The ‘governance’ word became central to everything we do and, before we finally get taken over by this obsession, can we please get some balance in this? Let’s actually get something done this term, shall we? Shall we actually get stuck in and help the economy to move forward and so on and get something done?

3070

The problem is partly an electoral one. Sorry, this is not an election issue; it is partly a democratic one, because – as we are reminded so helpfully by the media on a regular basis – there are a lot of people out there who actually decide their votes on whether they can criticise us, with all the benefits of hindsight, for making the wrong decision. Now, I would put to you that there are at least as many people, if not more,

3080

who would like to see us getting things done, (**A Member:** Hear, hear.) who would like to see us achieve things and you will only achieve things if you, on occasions, take risks.

3085 There is an underlying assumption to do with risk flying round, which I think it hugely dangerous. The underlying assumption that is being fed to us is that, if you have ultimate governance and you slow everything down and you make sure you get it right – it does not matter when it happens; it is far more important to get it right – if you slow that down, there is an assumption that that is reducing the risk. And I put to you, sir, on this occasion, the greater risk – by far the greater risk – to this Island is to do nothing and, 3090 on a number of projects, that would be the result of what is being proposed; because the simple delay in getting some of these projects forward and getting the approval of the States, would invalidate them, would enable competitors to dive in and you would never actually bother to take them to the States because, by then, the prospects were gone.

3095 So, please, do two things. First of all, look at the two separately. With amendment L I am very relaxed about whatever decision we make, but, whatever you do, do not support amendment K because we will be making that big mistake of ignoring the biggest risk of all.

The Bailiff: Deputy Sherbourne.

3100 **Deputy Sherbourne:** Thank you, sir, Members.

I suppose, in a way, I am in a bit of dilemma, because there is one side of me that is very much a scrutineer – I want to see that things are questioned, challenged – and yet there is another side of me which I actually advertised in my manifesto. I did not promise anything, coming into this Assembly – I thought that was probably a wise thing to do – but one thing I did say was that I wanted to enable the population to move forward; I wanted this community to move forward.

3105 And I have found over the last two and half years of sitting in these monthly meetings, that we do not do that. The time that it takes for us to make decisions, whether it is in fact through preparation of Billets, reports; the number of times we hear Ministers and Members of the Assembly saying, ‘Well, there is a report on this and a report on that.’ We have had so many delays and we are not actually getting on with the business in hand. That is where I stand at the moment.

3110 I get rather fed up with hearing my colleagues blaming Europe for all our ills. (**Several Members:** Hear, hear.) In fact, if you were to look at the way that the world has become regulated in our major industry, most of that pressure has actually come from America. Americans who do not play the game, who have not got their house in order – Delaware, etc. – they are the people that have been pulling the strings; Europe has responded. So I do not like to hear that.

3115 On top of that, some of our problems are home grown. There was a period where our finance industry was over-regulated to a fault. That stopped the development of quite a lot of business in this Island and certainly for the last two years that has been the case.

3120 So I think we have to look closer to home to, firstly, restricting – in other words, the time it takes to make a decisions and act – and, secondly, on the way we regulate our major industries; the things we must really consider and not blame other people for it.

3125 The financial industry is a worldwide industry. Okay, it is a big, big game and, thankfully, Commerce & Employment are actually recognising that you need to get out there to sell Guernsey. The expertise in this Island is incredible. Over the last decade or so, we have built up some world leaders in terms of our fund industry. Insurance, I think, is one of the biggest players in the world, I believe – or something like that.

3130 Those people are growing our industry and we need to support them; we need to enable them. Therefore, I actually do support T&R’s attempt to provide funds to do just that. I take Deputy Gillson’s comments about trust. Maybe it is not just about trust, but there is an element of that. I must admit, from an education point of view, we have issues with T&R. We have got an issue now which, hopefully, will be resolved in November. But I still trust them to be doing the best for this Island and that is an important thing for me. So I accept Deputy Duquemin’s explanation.

3135 I have mentioned the time it takes to produce reports, to produce Billets, to act on them. I would like this Island to move forward at a pace. We are not proactive enough; we need to be, and I think these are proposals which will help us along that route.

3140 So I actually will vote against the amendment for restricting the amount of money. I do agree there is a need for us to have some form of oversight, but I believe there are other ways to do it, than restricting T&R and Commerce & Employment.

Thank you.

3140 **The Bailiff:** Deputy Domaille.

Deputy Domaille: Yes, I will be brief. I think we have sort of done this puppet to death. (*Interjection*) Sit down then? Yes, okay.

3145 What I would just say is I think Deputy Langlois used the word ‘balance’. I think this is about checks and balances (**Severall Members:** Hear, hear.) and I, for one, will be supporting the amendment. I would not support the amendment if this Budget Report had included sufficient information in terms of all the criteria, all the way we are going to approach this, some idea of, perhaps, the sort of projects we might be talking about on the economics... There is the Transformation...

3150 I think that is the problem and I think that if Members vote for this... and I actually trust T&R – so there we go – and Commerce & Employment... but you cannot, as a guardian of the public purse, as a guardian of Guernsey’s society, go ahead on a wing and a prayer spending £32 million, or as much as £32 million, without the faintest as to what it is you are going to do.

3155 I think that is the problem with this and so if there are accusations of delay and procrastination, I am sorry but the fault lies with T&R for producing a Budget Report that did not have enough information to give me, and I suspect others, the confidence to say, ‘Yes, go ahead and do it.’ I think that is the real problem, sir.

Thank you.

The Bailiff: Deputy Rob Jones and then Deputy De Lisle.

3160

Deputy Robert Jones: Thank you.

3165 I did not really want to let this debate go without talking about scrutiny. I know a lot of people talk about scrutiny and say, ‘Oh, we have got scrutiny.’ We are underfunded as it is, to carry out some post-implementation scrutiny, so we are underfunded to enable us to even look at what might have gone wrong. For example, image rights and Aircraft Registry. These types of investments that we have made that may not have been as successful as they were made out to be when they were first implemented. Now we are talking around eroding pre-implementation scrutiny by taking away the scrutiny and the ability to scrutinise these things prior to it.

3170 Now, I do understand some of the points that Deputy Stewart made and, in particular, about confidentiality and all that side of things, but we cannot lose sight... I do not think scrutiny necessarily means slowing things down. We can still scrutinise, but at a pace that is required for a particular case, so we could start to improve the process and getting reports earlier and, as Deputy Green said, we can sit more regularly if things are required; but do not lose sight of scrutiny. We are certainly underfunded as a scrutiny department, as a PAC department as it stands now, but to lose that oversight of expenditure up to £8 million is very dangerous.

3175 Actually, I think a lot of Members forget what they said in earlier debates. Now, we had HSSD former Members asking for about £2 million and we were told to slow down, take stock, ‘You might not need £2 million, but if we do we will come back to the States then’. Now, I really do not think that there are initiatives here that require us to act as quickly as some people think we need to and this ‘fleet of foot’, I think is a little bit of a red herring. I think we really just have to take stock and I will be supporting both of these amendments.

3180

The Bailiff: Deputy De Lisle.

3185

Deputy De Lisle: Yes, thank you, sir.

Given the current economic circumstances, I think it is very important to maximise opportunities in business, to encourage new initiatives and developments, to diversify the economy and, sir, to create new prospects for employment.

3190 It seems to me that the £250,000 cap restriction would cost time and money and resources, actually; because, as a member of the Dairy Board – and this is where I think Commerce & Employment has experience in these areas – where we need to renew and update equipment at the Dairy, sir, it takes forever to get through all the bureaucratic hoops in order to get the permissions in order to go ahead with new developments.

3195 So I just bring that to the note of Members: that, yes, we have to be quick with the competition out there and we have to think of the future of our Island and innovation, new developments and employment is very important to us.

The Bailiff: Anyone else? Deputy Dorey.

3200

Deputy Dorey: Thank you, Mr Bailiff.

I will vote for these amendments based on three very simple reasons.

The economic strategy has not been debated by this Chamber, which is the basis for spending this money; the criteria has not been developed yet and the States has not seen the criteria; and there is no reporting mechanism for how the money is spent.

3205 When all those three can have a tick against them I might consider reducing or increasing the limit, but at this point I think, from a governance point of view, these amendments are correct.

The Bailiff: Anyone else? No? Deputy St. Pier.

3210 **Deputy St. Pier:** Thank you, sir.

First of all, I would like to thank Deputy Fallaize for engaging with me and the Department before he laid this amendment. I think I would like to start by reiterating the assurance which is given in the Budget Report, that clear criteria will be developed for the use of these funds on how applications will be prioritised and assessed and how we can actually monitor the delivery of benefits and indeed report back. 3215 The Department will regularly report back to the States as part of the annual Budget Report on the uses of the funds and the resulting benefits that have been delivered.

But I think Deputy Trott certainly hit the nail on the head, having described his own position, if he was in my position now he would be seeking as much delegated authority as possible; but he, quite rightly, identified that there are legitimate governance issues. I also commend Deputy Harwood's speech again 3220 which was an excellent summary of the issues.

I thank Deputy Duquemin, in particular, for his robust speech in support of giving Treasury & Resources delegated authority over both funds in the way set out in the original Propositions. Again, I thank him for speaking to me about what he was going to say before today's meeting.

3225 He knows what I am about to say, which is that the Treasury & Resources Board will be supporting amendment L; and the reason that we are doing that, sir, is that we do not regard it as a significant impediment and indeed we feel that it is the right price to pay – if that is the right term – to avoid the risk of losing the whole fund, which Deputy Fallaize alluded to in his speech.

Again, Deputy Fallaize will know this from the conversations which he and I have had in the last couple of weeks, we recognise there are legitimate governance issues over these funds and, therefore, it is 3230 appropriate that some changes should be considered.

Again, I reiterate for Members that were present at the briefings on the Budget, the methodology that we intend to adopt in order to discharge this Resolution will be not dissimilar to that in relation to the capital programme, which will be to produce the States' report to table before this Assembly with more detail on the fund, the uses of fund, prioritising it and, indeed, identifying those projects which have been identified 3235 up to that point and seeking appropriate delegated authority at that point.

In the meantime, we are entirely happy to be bound by the restriction of this amendment, up to £100,000. As I said in my opening speech, this is not a free-for-all; we do not want every Department rushing to Treasury & Resources seeking to access funds from this until we have been through that process and that, of course, will equally apply to Deputy Fallaize, who himself may be thinking that his fund has a 3240 role to play for any transformation or transition resulting out of, of course, the States Review Committee's work.

In relation to the Economic Development Fund, as I said in response to Deputy Gillson's question in the debate on the previous amendment, the Board does not have a position and I was going to listen to the arguments.

3245 I, personally, will be voting against amendment K and the reason for that, sir, is I think there is a good argument for ensuring that there is going to be greater expedition required for the use of those funds in the Economic Development Fund than there will be for the Transformation and Transition Fund, and I am not concerned that Treasury & Resources will not discharge its role in demanding robust business cases from Commerce & Employment, or whomsoever, before releasing funds from the Economic Development Fund.

3250 The Minister of Commerce & Employment will know that he, much to his frustration and that of his Board, did experience some frustration and delay in relation to the business case that they had initially presented for their proposals for a digital greenhouse and they were not rubber stamped by any manner or means. They were sent back and I think he would probably concede that they were improved as a result of that process, and so I am content that we will be able to provide the governance and scrutiny which this 3255 Assembly would expect of our Department in discharging that role.

So in summary, sir, the Board will be supporting amendment L, but I, personally, will be opposing amendment K.

The Bailiff: Deputy Fallaize.

3260 **Deputy Fallaize:** Thank you, sir.

It was a much longer debate than I anticipated when Deputy St. Pier told me that his Department was pretty ambivalent about these amendments. I will try and respond to as many of the many valid points that have been made in debate.

3265 Deputy Duquemin asked the States to oppose the amendment regarding the Transition and Transformation Fund. I totally reject his suggestion that this is all about trust. We require of every States' Committee – certainly if they want to spend something like £25 million – to come to the States and set out their case.

3270 Any Department... The Education Department could say, 'Look, just trust us. We know where we need a new school. We know how many children we need to accommodate in the schools. Just give us the money. We do not need to come back to the States. We do not want to hold things up.'

3275 The fact that we require Departments to come to the States does not mean that we do not trust them. I would say that Deputy Duquemin, in his speech, has been too easily impressed by a very vague case set out in the States' Report. I think we have heard extremes of views from those who really do not want to set up these new funds and, if we do, they want to restrict, as far as possible, the amount of money going into them, to those at the other end of the extreme – Deputy Duquemin – who want to set them up and do not see any need for the States to be involved further. Just hand over all of the authority to T&R to approve expenditure.

3280 That did not take long, sir, I will give way.

Deputy Duquemin: Thank you for giving way, Deputy Fallaize.

3285 I did not respond. I was going to stand up even during Deputy St. Pier's speech. It may have been misunderstood in my speech: what I did say is that I will be supporting the amendment on the Economic Development Fund – I will be supporting that amendment – but I will not be supporting the other amendment on the Transformation and Transition, for the reasons that I gave.

So I will not be supporting both.

3290 **Deputy Fallaize:** I appreciate that. Actually, sir, I wish I had laid them separately really, because it is quite difficult to reply because some people are supporting one amendment and not the other, and vice versa, in respect of other people, so it is not easy to make the argument in summing up. I thought that they were effectively the same case, in respect of both amendments, but most of my summing up will be about the Economic Development Fund, because T&R are supporting the other proposal.

3295 I think what was said – I cannot remember who said it, but it was correct, I am sure – in respect of both funds, we are not going to see proposals for £101,000 coming to the States, several proposals at every States' meeting, or £251,000 in respect of the amendment for the Economic Development Fund. It is quite possible that the Treasury & Resources Department and Commerce & Employment will bring reports or a report setting out either the criteria against which they wish to spend the money or setting out a series of project on which they wish to spend. That is how, when I discussed it with Deputy St. Pier, we envisaged that it would work and I do not see any reason for that not to be the case.

3300 Now, what Deputy Stewart wants to do is to have available £7 million to spend – 65% of his Department's annual budget – without referring back to the States and I think Deputy Dorey's point was key: yes, it may be spent on the basis of the Economic Development Strategy, but that strategy has not been to the States. And I think he gave his argument away against this amendment when he told us why the Economic Development Strategy has not come to the States. He said, 'Well, if we brought it to the States, we would have faced people with all sorts of different views. We might even have faced amendments. We might have had people who disagree with us!' (*Laughter*) And we would have had a degree of scrutiny. He might even have had to have worked hard producing an evidenced-based case and won support from the majority of Members of the States! How unreasonable would that have been?

3310 The point is... I often poke fun at Deputy Stewart and he often pokes fun at me – and I am sure I was in his mind when he talked about process monkeys at the IOD conference. (*Laughter*) But Deputy Stewart is a man of great enterprise and energy and he has a 1,001 good ideas a day; but very occasionally some of his ideas may not always be right. (*Laughter*)

3315 Iain Macleod – the late, great Iain Macleod – once said of Enoch Powell, 'Enoch has many good ideas, but if you are travelling on the same train as him, it is important that you get off a few stops before he drives it into the buffers.' And, just occasionally, with some of Deputy Stewart's ideas, I am reminded of that quote.

He wants us to act as a business and I understand that, but the States are not a business. The States are a Government. We are not a bank. We are not somewhere where 19 constitutes a majority of the Government. We are a Government. This is the States, not a business.

3320 He is a clever chap, I am sure, but he has created this impression in his speech today that he and the people inside his Department are sort of world leaders in innovation; that they are going to be forced, if the amendment goes through, to bring to the States ideas which nobody else around the world will possibly have thought of and I simply do not accept that.

3325 I think he needs to read the Propositions. Deputy Gillson made this point as well. The Propositions do not provide for 19 Members to have a form of scrutiny over applications. The Proposition is to delegate

authority to the Treasury & Resources Department – five members – to spend £32 million of new money. That is the Proposition which I am seeking to amend and we are voting on the Propositions.

3330 He said that we should not give away our competitive advantage and of course he is right, but when he brought a report to the States to increase Guernsey Finance's budget, he received almost unanimous support, I think, in the States. Possibly it was unanimous support. (**A Member:** It was unanimous.) Now, that did not tell us all the fine detail about – I think it was £900,000 wasn't it? – where the £900,000 would be spent, which country would be visited, which people Guernsey Finance would be meeting. It was the principles – the concepts. That is what I envisaged, not the very fine detail of every particular project. So I think he is scaremongering when he says that we will be conceding intellectual property if the Department

3335 is forced to come to the States with their proposals to spend over and above a quarter of a million pounds.

Nobody suggested to me different – to answer Deputy Gillson's point – *de minimis* levels.

Deputy Perrot told us that the figures in the Billet had slightly been plucked from the air or that there was no great science behind them; there was a degree of judgment. The same was true in drafting these amendments. If Deputy Stewart had said, 'Look, £250,000 is really quite restrictive for this reason and that

3340 reason. Can't it be £500,000?' Quite possibly, I would have said, 'Okay, fine. The important thing is that, for major items of expenditure, the States needs to have that degree of oversight.' But that was not suggested.

Deputy Gollop said that the amendments may cause extra Civil Service time. Well, they will not, unless the business cases are not going to be prepared in the first place. I am suggesting that, instead of them being

3345 submitted to T&R, they should be submitted to the States. That will not cause extra Civil Service time, but Deputy Gollop is at least consistent and transparent. He is, emphatically, and always has been, a supporter of executive government. He wants us to delegate much more responsibility to Ministers as part of an executive.

Now, Deputy Conder reminded him that we had that debate in the summer and we overwhelmingly resolved not to have that system of government. There are advantages and disadvantages, but one difference is that, if we did have an executive system of government, we would have much better resourced scrutiny –

3350 to enable scrutiny, pre-policy implementation and post-policy implementation.

We have not got that. Because we have got a committee system, the committee system presupposes that major issues are laid before the States. That is what provides the pre-scrutiny that we do not provide in the

3355 scrutiny committees because of our system of government.

Now, if we are going to delegate much more executive authority to Ministers and to Departments, we need to resource scrutiny much, much better than we do. Now, that is not on the table here. What is being proposed is £32 million-worth of delegated authority, but with no increased resourcing for scrutiny.

Deputy Trott emphasised that these are taxpayer funds and he is also absolutely correct to highlight the inconsistency, if these proposals go through unamended, between the constraint on the delegated authority

3360 to T&R in respect of Departments' general revenue budgets, compared to the £32 million of delegated authority that they are seeking without these amendments.

Deputy Perrot – okay, I will call it the 'Core Investment Reserve' as a minor concession, (*Interjection by Deputy Perrot*) (*Laughter*) but Deputy Perrot, I think, perhaps unusually, allowed himself a degree or inconsistency in his speech, because he implored us not to regard the Core Investment Reserve as

3365 accessible. He built up this picture that there would really need to be a very major crisis before we dipped into it. But of course that only applies after we have taken £32 million out and given delegated authority to T&R to spend it as they see fit!

Deputy Conder is right that, if experience demonstrates that the *de minimis* levels are too low – and they may be; I am quite open to them being raised – fine, bring a report; it does not have to be a very, very long report. Bring a report to the States and argue, actually, in respect of the Transition Fund, £250,000 would be more appropriate or £400,000 and, in respect of the Economic Development Fund, £500,000 would be or

3370 £750,000; but simply to throw out the amendment means that all we are left with is two Propositions: one to give delegated authority to T&R to approve expenditure of a £7 million Economic Development Fund and the other to give delegated to T&R to approve expenditure on a £25 million Transformation Fund. Now, I think my amendments are a better starting point (**A Member:** Hear, hear.) than T&R's Propositions, even though, in time the approvals process may need to be modified.

3375 I think Deputy Stewart will find that, if – and I hope, when – he has to lay proposals before the States, he will find the States generally supportive and I think back to the Guernsey Finance debate. I also think this in response to something that Deputy Sherbourne said. I understand Deputy Sherbourne's frustration about the lack of progress, but I have to say to him the major Committee on which is sits is Education and this Assembly, without fail, has supported every single proposal that has been brought by the Education Department; sometimes by amendment – including this morning. We approved their vision. We approved closure of primary schools. We have approved the expediting of the capital prioritisation process. We have

3380 approved increasing their routine capital allocation. We have approved pre-school funding. Absolutely everything that they have proposed has been approved.

3385

He cannot blame the States of Deliberation for the delay or for his frustrations in being able to expedite progress. If there are frustrations, they must be frustrations in his Department, because they are not hold ups or blocks caused in this Assembly, because we have approved everything at exactly the time that Education have asked for it.

3390

Deputy Green asked me to justify the different *de minimis* levels. I thought I did say this when I opened. I started at £100,000 because Deputy St. Pier and I were exchanging e-mails about the way that the amendment could be constructed and we started with £100,000. I think he expected that I was going to submit both amendments for £100,000 because that is what I had originally said. I upped it to £250,000 on the Economic Development Fund for the reasons that Deputy Stewart has suggested – because of the need to be more reactive and nimble with that fund than with the Transition Fund.

3395

But we do need oversight of larger projects. Some Members who oppose these amendments are talking about the projects of £150,000 or £250,000 or £300,000, but we are talking about £32 million in two funds. Actually, Deputy Stewart, if the Proposition goes through unamended, could put to T&R a proposal to spend £4 million or £5 million on one project. It might not be a whole series of small projects and I do not think that that gives the States proper oversight.

3400

If HSSD had come here at the time of debating their 2020 Vision and said, ‘Well, actually there is £32 million attached to this, off the back of about five or six pages in the States Report’ T&R would have been absolutely apoplectic and told us that it was poor governance. But that is what is being proposed here.

3405

Deputy Luxon raised Jersey. Now, I would say, if Jersey have managed to steal a march on us in any respect, it is not because they have a different approvals process, it is because they pump money into these initiatives. Look at the amount of money that Jersey pump in to economic development.

Actually, they do not truly have an executive system of government. It is not committees. Ministers are often having to bring proposals to the States in much the same way that we debate proposals in here, but they do pump money into economic development. And that will be the root cause, if they have stolen a march on us, much more than our decision making process.

3410

But I think we talk ourselves down. Why is there this sense of panic? Why do we talk about Jersey as if Jersey have got everything right? Jersey have been through recession. Their economy is smaller now than it was at the start of the economic crisis. We have not even been through a recession. We talk as if we have.

3415

We talk about the terrible economic conditions that we face and I am not in any respect trying to say that there are not difficult economic times – we have not been through difficult economic times – but we are in a stronger position, fiscally and economically, than Jersey are, but there is this sense of panic. ‘Do something, do anything. As long as you do something, (*Laughter*) then that must be justifiable.’ (Deputy Luxon: It is.) Deputy Luxon is saying it is. Well, respectfully, I disagree. I think it is more important to do the right thing than it is to do something.

3420

Deputy Jones seemed to suggest that if we approve the amendments, the dangers from the European Union will increase. (Deputy David Jones: I didn’t say that.) Well, you were speaking on the amendments and you did say that the amendments would prevent us being nimble and if we were not nimble we would be disadvantaged because of the dangers causes by the European Union.

3425

He praised the development of the Brussels office, but I would remind him that that was approved by the States; that had to come to the States and was approved in exactly the way that I am suggesting. He said he was happy to give a delegated authority to T&R, but he said, ‘We will be watching’. Well, I do not know how, because there is no reporting procedure. Actually, all that will happen is there has been money spent in areas which later proves to have been disastrous; we will just have to ring our hands together and say people will have to face motions of no confidence or there will have to be that kind of outpouring of criticism but we will be giving up the pre-approval scrutiny.

3430

Deputy Soulsby does not want to wait three months to submit policy letters. Well, good – nor do I. The Rules provide for reports to be submitted to the States at any time the Policy Council chooses.

Deputy Gillson – his proposal, I thought, was very sensible; that – I think I have got this right – either that projects could come grouped together or, if the *de minimis* levels are too low, they can be modified subsequently. There is nothing wrong with that. Nothing is being set in stone here, but the HSSD budget – I think it was Deputy Rob Jones who raised this point and he was right... Let’s compare these proposals with the HSSD budget amendments. We are talking about the HSSD budget amendment that caused so much consternation this morning was about a sixth of the proposed Economic Development Fund and 1/32 of the value of both of these funds put together and we were told, ‘Let’s not approve this expenditure, because there is no business case,’ despite the fact that we know that a Department has carried out a business case; but there was not a business case put before the States, so we could not approve £1 million. Here we are going to give delegated authority for the expenditure of £32 million and we have not got a business case for any part of it, whatsoever.

3440

Deputy Domaille said that this was about checks and balances and I think that sums it up. Actually, it is quite far reaching, if the States agree to setting up the fund of £7 million and the fund of £25 million. That is removing some of the shackles – quite a few of the shackles, trying to empower people in the way that

3445

Deputy Sherbourne suggested; but it is still necessary to ensure that there are appropriate checks and balances.

3450 This is not an attempt not to spend this money. I hope and I am betraying my view of fiscal policy, I suppose. I hope that we spend this money. I want us to spend £7 million on wise investment in economic development. I want us to spend £25 million in policy development that moves us forward in the area in supported living and ageing well and social welfare. I do not want to stop the expenditure. So I applaud the creation of these funds, which is why I voted against Deputy Dorey's amendments to restrict their value,
3455 but we still need appropriate checks and balances.

The FTP – and I am very nearly finished – has produced, or eventually will produce and is not far off already producing, around £30 million in annual recurring savings – money which would otherwise have been taken out of the Contingency Reserve. Now, I would ask Members to think about their work in their Departments; how challenging it has been to meet some of these FTP targets – the nature of the work that
3460 has been done. And yet here we are faced with a proposal to transfer £32 million – which happens to be roughly the same value as the annual recurring savings – and the States would have no further oversight of the expenditure of the money. I would say: but we have not been through the FTP then to dole out this money in this sort of way.

If the Propositions from T&R are rejected, the £32 million remains in the Contingency Reserve, or its re-characterised iteration – £32 million – and the approval process for the expenditure of any money would have to come back to the States. I am saying we should agree to the transfer of £32 million into these two new funds – get it out of the constraints of the Contingency Reserve or the Core Investment Reserve; but for projects which are above these *de minimis* levels of £100,000 and £250,000, respectively, they should come back to the States.

3470 We should take the money out of the Contingency Reserve; let's pump it into economic development; let's pump it into transformation of the public sector, but let us not simply delegate all of the authority which, today, here still, at the moment, sits with the States and hand all of that authority over to T&R. As Deputy Domaille, on the basis of the rather flimsy and vague arguments set out in the Budget Report, that would be irresponsible stewardship of public finances.

3475 Deputy Stewart wants his version of 'Stewardship' of public finances; (Laughter) I want sensible, responsible *stewardship* of public finances, which I think is expressed in these amendments and I would ask Members to vote for both of them. (**Several Members:** Hear, hear.)

Thank you, sir.

3480 **The Bailiff:** Well, Members, we will vote first on amendment K, which is the one proposed by Deputy Fallaize, seconded by –

Deputy Fallaize: Could we have a recorded vote, please?

3485 **The Bailiff:** – Deputy Conder, relating to Proposition 22, which is the Proposition that establishes an Economic Development Fund or proposes to; and there is a request for a recorded vote. This is on amendment K.

There was a recorded vote

3490 *Not carried – Pour 20, Contre 26, Ne vote pas 0, Absent 1*

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Burford	Deputy Perrot	None	Deputy Storey
Deputy Sillars	Deputy Brouard		
Deputy Brehaut	Deputy Wilkie		
Deputy Domaille	Deputy De Lisle		
Deputy Robert Jones	Deputy Inglis		
Deputy Conder	Deputy Soulsby		
Deputy Bebb	Deputy Luxon		
Deputy Lester Queripel	Deputy O'Hara		
Deputy Gillson	Deputy Quin		
Deputy Le Pelley	Deputy Hadley		
Deputy Ogier	Alderney Rep. Jean		
Deputy Fallaize	Alderney Rep. Harvey		
Deputy Laurie Queripel	Deputy Harwood		
Deputy Lowe	Deputy Kuttelwascher		
Deputy Le Lièvre	Deputy Langlois		
Deputy Duquemin	Deputy Le Clerc		
Deputy Green	Deputy Gollop		
Deputy Dorey	Deputy Sherbourne		
Deputy Paint	Deputy St Pier		

Deputy James
Deputy Stewart
Deputy Trott
Deputy David Jones
Deputy Spruce
Deputy Collins
Deputy Le Tocq
Deputy Adam

3495 **The Bailiff:** Well, Members, the result of the voting on amendment K was 20 votes in favour, 26 against. I declare the amendment lost.

We move onto amendment L. Is there any request for a recorded vote on amendment L? No. I put it to you then, amendment L. Those in favour; those against.

Members voted Pour.

3500 **The Bailiff:** I declare it carried.

Procedural – Sitting on Saturday

It is now virtually 5.30 p.m. Can I just have an indication as to whether we come back on Saturday morning or not?

3505 We cannot take any decision until the end of tomorrow, but there has been some suggestion that we might meet on Saturday and if that is to be the case we, for example, need to make certain staffing arrangements and I am sure other people need to make certain domestic arrangements. So it would be helpful to have an indication this evening if there is any appetite to come back on Saturday morning and I just note that we have completed 12 amendments, we have a few more to go and then we have general debate. It seems to me it is quite possible that the Budget Debate may take possibly most of tomorrow, if not all of tomorrow. It is even a possibility we might not finish it tomorrow. I do not know. But is there any
3510 appetite to come back on Saturday morning? Those in favour; those against.

Members voted Contre.

3515 **The Bailiff:** Right, in that case we will not be coming back on Saturday morning and I think it is more than likely that we will be back on the overflow date in accordance with the Rules of Procedure. (**Several Members:** Hear, hear.)

The Assembly adjourned at 5.31 p.m.