



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Tuesday, 24th March 2015

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Present:

Richard James McMahon Esq., Deputy Bailiff and Deputy 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

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Deputies G. A. St Pier, K. A. Stewart, P. L. Gillson,
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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, F. W. Quin, M. P. J. Hadley

Representatives of the Island of Alderney

The Clerk to the States of Deliberation

A. J. Nicolle, Esq. (H.M. Deputy Greffier)

Absent at the Evocation

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

Deputy M. J. Storey, (*indisposé*);

Alderney Representatives L. E. Jean and S. D. G. McKinley, O. B. E. (*relevés à 11h 44*)

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States of Deliberation

*The States met at 10.40 a.m. in the presence of
His Excellency Air Marshal Peter Walker C.B., C.B.E.
Lieutenant-Governor and Commander-in-Chief of the Bailiwick of Guernsey*

[THE DEPUTY BAILIFF *in the Chair*]

PRAYERS

The Deputy Greffier

EVOCATION

CONVOCATION

The Deputy Greffier: To the Members of the States of the Island of Guernsey, I hereby give notice that a meeting of the States of Deliberation will be held at the Royal Court House on Tuesday 24th March 2015, immediately after the conclusion of the meeting of the States of Election to be convened for 9.30 a.m. that day, to consider the items contained in Billets d'État IV and VI which have been submitted for debate.

The Deputy Bailiff: Members of the States of Deliberation, I have had a message to say that the travel arrangements for the Alderney Representatives are such that they are delayed so we will await their arrival.

Review of Public Sector Pension Schemes and Personal Tax Pension and Benefits Review – Rule 12(8) declarations

The Deputy Bailiff: Members of the States, as you are aware, one of the items included for debate at the April Session of the States is the Policy Council's Report entitled Review of Public Sector Pension Schemes. The issue of who should preside over the States during that debate remains under consideration by the Presiding Officer. Any Member wishing to make representations to the Bailiff to assist him in reaching a decision is welcome to do so.

We are conscious that a significant number of Members – approximately one-third – are in a position where they themselves or their spouses or partners are in receipt, or will be in receipt, of a public sector pension. I, therefore, take this opportunity to refer to Rule 12(8) of the Rules of Procedure which provides that a Member who has a direct or special interest in the subject matter of a Proposition, or whose spouse or cohabiting partner has such an interest, is not precluded from either speaking on the Proposition or voting on the Proposition, provided that he or she has declared the interest before speaking or voting, as the case may be.

In advance of next month's meeting we considered it helpful to remind Members who themselves, or whose spouse or cohabiting partner, is in receipt, or will in due course receive, a public sector pension that they are not obliged to excuse themselves from participating, although

25 they are permitted to do so if they so wish, but can choose to participate by making an appropriate declaration before speaking in the debate, or in any event before voting.

Having raised the effect of Rule 12(8) in respect of next month, rather than repeat myself later today, when it comes to the debate on Billet d'État IV, the Report entitled 'Planning A Sustainable Future: the Personal Tax, Pension and Benefits Review', I imagine that every Member would need
30 to make a Rule 12(8) declaration. Indeed, if there is any Member who feels they do not need to make such a declaration, their names will be passed to the Director of Income Tax! (*Laughter*)

In those circumstances I would prefer to avoid any Member having to agonise about whether he or she needed to make one. For example, in respect of the debate on any given amendments where the subject matter might not be of universal application, and so propose to treat all
35 Members as having made a declaration entitling them to speak and to vote on everything contained in that Billet without further declaration. (**Several Members:** Hear, hear.)

STATEMENTS

Energy Efficiency – Statement by the Chief Minister

The Deputy Bailiff: So we move, first of all, Members of the States, to the section of Statements and I invite the Chief Minister to deliver a Statement.

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

Members will no doubt recall that during our meeting on 25th June last year the States considered a Report dealing with the future strategy for the supply of electricity.

In addition to adopting the Resolutions resulting from that Report, the States also approved an amendment, proposed by Deputy Bebb and seconded by Deputy Ogier, that directed the Policy
45 Council to lay before the States, no later than March 2015, a report containing recommended policies for improving energy efficiency and the means of enabling such policies to be effected. (*Interjection*)

The Policy Council very much supported the amendment because it was already working on producing a report on this issue. At that time the Policy Council anticipated that it could, as
50 required, produce a report by March 2015. However, for the reasons I will briefly explain, this deadline has not been met.

The Policy Council's Environmental Policy Group has been carrying out a significant amount of work in this policy area for some time and is very much of the view that the promotion of energy efficiency and the provision of grants and loans to allow Islanders to improve the energy
55 efficiency of their homes would make a significant difference to those members of our community who struggle with heating costs. It would also make an important contribution to satisfying the aims of the Energy Resource Plan and the wider environmental objectives agreed by the States.

However, as Members of the Assembly will be aware, we are operating within significant financial constraints and there is currently no mechanism to fund what, in effect, would be a new service development without reducing expenditure by a compensatory amount elsewhere. To
60 date, it has not proved possible to identify from where such savings could be made, or new monies could be sourced in order to fund this energy efficiency initiative.

The Policy Council, however, will continue to investigate funding options but, in the event that this issue cannot be immediately resolved, it will return to the Assembly with a report that sets out
65 the guiding principles behind initiatives to improve energy efficiency, but stops short of recommending its immediate implementation pending the identification of a suitable funding source.

I anticipate that this report will be presented to a meeting of the States before this year's summer recess.

70

The Deputy Bailiff: Does any Member have a question to the Chief Minister arising out of that Statement?

Deputy Gollop.

75

Deputy Gollop: I see in our packs of amendments there is an amendment down the line on the Personal Tax, Pensions and Benefits Review that looks to fund environmental initiatives, energy efficiency. Will the Policy Council be supporting that amendment, if it is placed?

80

The Chief Minister: Whilst I cannot speak for the whole of the Policy Council on that particular amendment, I think it is certainly the view of the Policy Council, bearing in mind that this overlaps with the Statement that I have just made, that when and if that amendment is laid it will be supportive of such things, because it touches on the very same issues.

85

The Deputy Bailiff: Deputy Bebb.

Deputy Bebb: Thank you, Monsieur Le Député Bailli.

90

Would the Chief Minister agree that when the States decides on a particular Proposition – and in this case, for instance, the amendment that was laid – that such a proposal should be accepted as the will of the States, and to seek funding should be the issue of the Treasury & Resources who should append their comments to the report; and therefore such a report should have been forthcoming earlier than what is now being proposed, but with that appropriate comment from the Treasury & Resources Department?

95

The Deputy Bailiff: Chief Minister.

The Chief Minister: I think I forgot what the question was at the beginning, but I think it was an agreement thing.

100

I think we are all working under the same constraints, and certainly the Treasury & Resources Department, and indeed the Treasury Minister, is well aware of this particular difficulty and that there has been a genuine attempt to see whether funds could be resourced from elsewhere in order to progress this. However, I think it is very clear that we are going to have to return in the manner in which I alluded to in my Statement.

105

The Deputy Bailiff: Deputy De Lisle.

Deputy De Lisle: Sir, given the fact that renewables, particularly solar renewables, and the cost of such have been falling dramatically – for example, have fallen 67% over the past five years – can I ask whether the Policy Council will be recommending the introduction of net metering for domestic solar installations?

110

The Deputy Bailiff: Chief Minister.

115

The Chief Minister: Sir, I do not think it is appropriate to get into particular types and methodologies that have been considered by the Policy Council or, in fact, the Energy Sub Group; but I give an assurance – certainly not at this particular stage because this is not the right time to debate such matters, but I give an assurance – that actually the positivity, the degree of willingness to consider all such things as a means of being a more energy efficient Island is being considered, and will be, in no doubt, brought forward recommendations in due course.

120 **The Deputy Bailiff:** Well, that concludes questions on that Statement.

**Financial Status update –
Statement by the Minister of Health & Social Services**

The Deputy Bailiff: I will turn to the Minister of the Health & Social Services Department, Deputy Luxon, to make a Statement in respect of the Department's financial status.

125 **Deputy Luxon:** Thank you, Mr Deputy Bailiff. Thank you for allowing me to make the following Statement.

As Members would expect after four months in post, the HSSD now has an informed appreciation of the issues it faces, the priorities it must address, and the improvements it must secure.

130 My Statement to you today comprises four main areas: the 2015 base budget; the improvement agenda that we face, along with the financial implications of reviews undertaken to date; other budget considerations that are being experienced in the year; and routine capital.

135 The 2015 base budget – HSSD started 2015 with an authorised revenue budget of £113.2 million. At the time of the 2015 budget submission, engagement with budget holders had highlighted a number of unavoidable service pressures amounting to £1.25 million. These pressures were not agreed in the October 2014 Budget debate and it was left for HSSD to review, challenge and prioritise needs. That work has been undertaken and has resulted in £321,000 being reallocated within the existing budget, and deferral of £448,000 of spend. The only item upheld so far is £239,000 for the Children's Convener, to meet service which was unavoidable.

140 In addition, however, my Board has been informed about two sizeable pressures in relation to off-Island services, for internal staffing required to bolster resources in order to mitigate escalating costs of £133,000, and a recent unbudgeted complex needs placement of £220,000.

145 The improvement agenda we face. Since October 2014 a number of external and internal reviews have been undertaken across HSSD services. These reviews have included the October 2014 NMC extraordinary and February 2015 interim reviews of maternity services, a diagnostic of children's social care services in December 2014, a review of maternity services by the Royal College of Obstetricians and Gynaecologists in November 2014, and the recruitment and retention task force established by the Chief Executive, addressing HR issues affecting Princess Elizabeth Hospital between December 2014 and February 2015.

I will deal with the findings and funding implications of each of these pieces of work in turn.

150 The maternity and wider review action plan. The NMC extraordinary review of midwifery functions in Guernsey highlighted a number of serious failings against the NMC Midwifery Rules as well as broader organisational concerns relating to practice and management, governance, policies and procedures, plus the care environment and organisational culture and leadership. HSSD's resulting action plan was closely scrutinised by colleagues in T&R throughout December.

155 The costs associated with completing the actions totalled just over £2 million. Of this, £343,000 can be met from the 2015 base budget, leaving £1.71 million of unbudgeted spend, £909,000 recurring and £798,000 for 2015 only.

160 The majority of this spend pertains to increased numbers of midwives so that women and their babies can receive the quality of care they require, senior nurse presence at the Hospital 24/7, improvements to the physical care environment, training for midwives and their leaders, improvements to governance processes and systems, and additional leadership capacity and capability at the most senior levels in terms of clinical delivery across the Hospital.

165 I ask Deputies to note that the NMC have informed us that they will be returning in September of this year to undertake a wider inspection of nursing. We have to perform well in this inspection not only because this is what our patients expect and deserve, but because our health care system

in the Bailiwick would collapse completely should our nurses and midwives not successfully be revalidated by the NMC in 2016, when it introduces new tougher standards for all registrants.

170 Recruitment and Retention Task Force. The RRT was undertaken at the request of the Chief Executive's management team and focused on the Princess Elizabeth Hospital only. There are 18 recommendations in the report. From a financial perspective, the key recommendations are: to act on the NICE approved dependency and acuity tool, Safer Nursing Care... their findings of up to an additional 71 FTE nurses and professions allied to medicine at a cost of £3.1 million; to address an interim requirement to bolster HR resources at £165,000; and to provide clearer and broader range of introductory incentives to ensure HSSD is attractive and retains staff, a so-called Red
175 Carpet package of up to £500,000, funded from HSSD budgets through the associated reduction in the agency staff bill; and to provide an additional £3,000 retention bonus to nurses after four years' service – eligibility still to be determined. This should be cost neutral.

The RRT report is clear that there is some inefficiency in the PEH, so my Board is clear that the action plan we have commissioned from our Chief Officer will begin at that point.

180 Our focus in 2015 will be to address the nursing and professions allied to medicine staffing in key 'operational pinch points'. My Board will receive the proposed action plan developed in response to RRT's recommendation at its meeting on the 9th April.

Moving on to Children's Services diagnostic – late last year, commissioned by our Chief Officer, Ruby Parry conducted a review of children's social care provision. Her report was presented to the
185 HSSD Board in late January and to the Children and Young Persons Partnership early this month. Her report highlights the following:

'... significant concern that without the immediate investment there will be serious consequences for the safety of children and young people...'

The action plan pertaining to the children's services diagnostic is at an advanced stage already
190 and the costs associated with implementing the initial phase in 2015 – that is addressing the immediate safety and capacity concerns – are £292,000 – recurring spend of £221,000 and one-off of £71,000.

Sir, the recurring spend is about securing additional social workers and social work assistant posts so that all looked after children and children with a child protection plan are allocated
195 appropriately and we are able to finance the implementation of a new multi-agency safeguarding hub. The non-recurring spend is about the additional budget needed for the Island's Child Protection Committee as a number of serious case reviews have to be undertaken by independent experts and we need to recruit an independent Chair, plus urgent external support to reshape internal procedures and processes in the assessment and intervention team.

200 The Royal College of Obstetricians and Gynaecologists Review. This was commissioned at the end of September and was received at the end of February. Our Interim Medical Director is leading the development of an action plan in response to the Royal College's findings and recommendations. Consultants from the Medical Specialist Services Group and the Chief Officer of the Social Security Department are also engaged in this planning.

205 Specifically, the Royal College recommends employing an additional five consultants to improve patient safety and clinical effectiveness: two additional obstetricians, a gynaecologist, a paediatrician and an anaesthetist.

If these recommendations are accepted it would result in £1.89 million of additional costs for the SSD Secondary Care Fund.

210 My Board will receive the detailed action plan with associated costs at its meeting on 9th April. At this stage, therefore, although no costings have yet been finalised, it is inevitable that there will be some additional costs.

Other budget considerations. In addition to the financial implications identified by the reviews detailed above, the Department faces additional funding pressures across several projects.

215 The Electronic Health and Social Care Record Project. Although now six years into implementation, the programme has clearly not realised all its objectives or benefits that were

anticipated, and the CIO, who joined the HSC Board at the invitation of the Chief Officer because of concerns at progress, has concluded that the programme needs to be redesigned and refocused. It is not yet known what additional costs will be necessary, if any.

220 The Secondary Health Care Project. The States' contract with the MSG costs SSD £15.3 million per annum. The current contract is widely accepted as not being fit for purpose. The provisions of the existing contract mean that we need to give initial notification to the MSG about our commissioning intentions by September of this year and final notification of any material changes to the contract by the end of December of this year.

225 At its January meeting the Secondary Health Care Programme Board approved the creation of a time limited programme team based on a detailed overview of the substantive tasks that must be completed by July. SSD have already agreed to fund half the costs of £200,000 and HSSD also needs to consider how we fund £200,000 of unfunded budget pressure.

230 Sir, the Residual FTP. The 2015 target of £3.7 million and £375,000, specifically, in the year ahead. One of the reasons for the large 2014 overspend across HSSD pertains to the Department's inability to date to secure all of its FTP savings. £3.7 million of the £4.6 million overspend pertains to the need to still identify and secure FTP savings. The Chief Officer has established a 'transformational efficiencies' group which included colleagues from the third sector, to address how we must transform the way in which we operate currently, in order to secure better outcomes and secure efficiency savings.

235 This group is developing detailed proposals for the following key areas: specialist fostering; a multi-departmental strengthening family's programme; a re-enablement service; and telecare and telecare health proposals.

240 Primary Care and A&E. HSSD have appointed a new consultant for urgent and emergency care, at a cost of just over £200,000 per annum, and he starts at the beginning of May. These costs are funded by a transfer from PCCL.

Our Interim Medical Director, supported by HSSD procurement officers, is working to redesign our A&E provision. I would remind Deputies that the recent CICRA report made it clear that the existing contract which allowed for significant profits to be made by PCCL, and thus the Interim Medical Director, has been given an imperative to identify all possible savings. It is not anticipated at this time that any additional costs will be incurred.

245 Finally, my Board has instructed officers to provide a clear and costed programme of routine capital works across the whole of the HSSD estate. In February 2015 we received a detailed report from our finance department detailing approximately £6 million of routine capital expenditure. This includes the following major items of capital requirements: £1.62 million – laundry equipment, as the equipment currently used is breaking down and more of it is becoming beyond repair, and this service provision itself no longer complies with regulations; also, £1.75 million of medical equipment, a backlog over and above the routine capital expenditure budgeted for this year.

255 Sir, in conclusion – and I apologise for this long Statement – the Department understands that funding such a large in-year service pressure is highly problematical for the States. We have been setting out these unfunded budget pressures to T&R and we have recently jointly commissioned BDO to undertake a detailed costing, benchmarking and prioritisation exercise across all HSSD service lines. We will use the results of this exercise to establish the 2016 HSSD budget and beyond. However, it is inevitable that HSSD will be seeking additional budgeting during 2015. We will submit any such request with the full engagement of colleagues from T&R, with whom we have been and continue to work closely.

Thank you, sir.

265 **The Deputy Bailiff:** Thank you, Deputy Luxon.

Does anyone have a question in the context of the Statement?

Deputy Brouard.

Deputy Brouard: Thank you, sir.

270 Does the Minister now accept that there was a need to increase the budget when we debated it last year at the appropriate time? So rather than savings which they hoped, is there now a reality that, as advised by the previous Board, we need to put more resources into health, notwithstanding the increase in efficiencies?

275 **The Deputy Bailiff:** Minister.

Deputy Luxon: Sir, back at the Budget debate, a decision was made by this Assembly that because we had not had a chance to evaluate the proposal that Deputy Brouard refers to, we should wait, do the work and then come back to the States, which is what I am doing today.

280 It is clear to myself and the new Board that there is a whole range of pressures that HSSD are confronted with. Many of them legacy long term, some of them more recent, not just financial, management leadership, operational, governance, across the *piste* – so we have a mighty agenda ahead of us.

285 It is incumbent on the new Board and the Department's staff and Chief Officer to look for efficiency savings and for transformation; and if additionally we need further financial resources, which I have alluded to in my Statement – we can already see some examples of them – we will come back to the States with that information for this Assembly to make that decision.

The Deputy Bailiff: Deputy De Lisle.

290

Deputy De Lisle: Thank you, sir.

Given the budget considerations and funding pressures and new challenges that the health system is under, can I ask whether the Department will be meeting its held-over FTP obligations this year?

295

The Deputy Bailiff: Deputy Luxon.

Deputy Luxon: Thank you, sir.

300 HSSD has an obligation to the States of Deliberation to deliver its legacy £3.7 million FTP. My Board was surprised that when we asked for details of current initiatives underway the Department did not have any worked up proposals likely to lead to achieving any of that £3.7 million saving.

305 But, absolutely, at the heart of the financial *précis* that I have tried to give this morning is a recognition that that cannot be forgotten by HSSD going forward. We need to do our best to deliver against that target, that contract, that commitment but obviously it needs to be taken into context with severe financial pressures and demands elsewhere. But again we will map out each of those items as we bring States' reports back throughout this year, but yes we are committed to trying to find the £3.7 million of outstanding FTP target.

310 **The Deputy Bailiff:** Deputy Robert Jones, to be followed by Deputy Bebb.

Deputy Robert Jones: Thank you, sir.

315 As Chairman of the Scrutiny Committee, we welcome both reports: the diagnostic report into Children's Social Services and also the report into recruitment and retention. Could the Minister please advise when the HSSD Board intend to publish both reports?

The Deputy Bailiff: Deputy Luxon.

320 **Deputy Luxon:** Certainly, HSSD is on what I and my Board would regard as, being a five-to-10-year plan. Bearing in mind some of the issues that are confronting HSSD have probably

evolved over the last 10 or 20 years, sharing, with full transparency, all reports that we commission and have, is absolutely at the top of our minds and the plans for publishing those two reports are in hand and underway. So I will write to the Member and let him know when I have those dates.

325 **The Deputy Bailiff:** Deputy Bebb.

Deputy Bebb: Thank you, Monsieur Le Député Bailli.

Would the Minister confirm that, as debated at the end of last year, one of the greatest concerns in relation to Children's Services was the inadequate computer system that was being
330 operated; and, further, that as a result of his Statement this morning there is confirmation that that computer system is now on hold?

The will of this Assembly twice – first of all, at the debate to install the HSCR, was to have the HSCR completed by next year and, again last year, there was the commitment with the additional funding from T&R in order to complete those modules, one of which was the Children's Services...
335 that if that programme is now not to be completed in time, that a report will be brought back to this Assembly for it to make due consideration about the issues that have been raised, especially considering the real concern as to the inadequacy of the computer system as it currently stands, and the need for action rather than for delay.

340 **The Deputy Bailiff:** Deputy Luxon.

Deputy Luxon: Sir, thank you.

Deputy Bebb will probably have more insight and knowledge as to what the delays were around this project, as he sat on the Board last year. But, nevertheless, the Deputy Minister of
345 HSSD, Deputy Soulsby, has taken on the chair of this project and is working hard – along with the new Chief Information Officer of the States of Guernsey – to get a grip and an understanding of what has happened and what needs to happen next; but I would be surprised if we do not bring back to this States a further report on the matter.

IT within HSSD absolutely needs to move forward at a pace of knots, as it does around the
350 States of Guernsey, but we will inform Members more about the status of this programme.

The Deputy Bailiff: Deputy Brehaut, to be followed by Deputy Gollop.

Deputy Brehaut: Thank you.

355 If we just set aside the political choreography that surrounds this, is it just not the case that the Minister is overseeing a Department that is seriously underfunded and underfunding a Department such as HSSD does not come without risks.

So when does this elaborate experiment stop, and when will your Department anticipate having adequate funding because, respectfully, the Minister did say there are still inefficiencies in
360 certain areas? But we are well aware that those efficiencies will in no way cover what... an overspend, for example. So are you pushing to have your budget, in the interests of public health and safety, increased to a level that reflects the real demand, and not still attempting to meet the bogus FTP target – over optimistic FTP targets – that have been in place for some considerable time?

365

The Deputy Bailiff: Deputy Luxon to answer a series of questions there, please.

Deputy Luxon: Yes, you took the words out of my mouth, sir. There were a few questions.

370 It would be wrong of HSSD to ignore its residual FTP targets, so the HSSD accepts its responsibility, and until a decision is made by this States' Assembly that that target no longer exists, then it should remain part of the task that we have ahead of us – whether or not it is possible to deliver on it. I absolutely accept it is difficult for me to say, as the Board inherited no

live initiatives that actually would lead to any of those savings, but we have created the transformation efficiency group that I referred to in my speech.

375 Sir, absolutely, the benchmarking review that HSSD and T&R have jointly commissioned is an absolutely serious attempt to make sure that we have the information base, the evidence base, to inform the 2016 Budget, which we will be debating in October of this year; and, obviously, at that point, we should be in a position to be able to prove, through comparison and evidence, whether or not the current level of resources, financial resources, applied to HSSD is appropriate.

380 In the short term, the new Board is refusing to ignore any areas of investment that are needed – budgeted or not – that revolve around either unsafe practice or any safety concerns. So we will not turn a blind eye and kick the can down the road, of issues that we can see are just going to lead to further risk and costs down the road.

385 So my commitment is we want to see an HSSD that transforms itself. It is probably a case that we are not configured best to react to the outside pressures of medical inflation and medical demands, and improvements in medical services and treatments.

What we need to do is grasp those realities and we did find the joint meeting with the Isle of Man and Jersey two weeks ago very useful and very insightful and, of course, that gives us another benchmarking.

390 So I commit to Deputy Brehaut and Members that we take his challenge seriously – that we need to identify what level of budget is necessary for a safe and appropriate, but affordable and sustainable health and social care system in Guernsey.

The Deputy Bailiff: Deputy Gollop.

395

Deputy Gollop: Sir, as a Member of the Social Security Board, I am well aware of the dynamic progress the new HSSD Board are making in relation to looking at issues pertaining to midwifery and consultants involved with new birth, and I am aware too of some of the extra costs that may be involved.

400 Will the Health & Social Services Minister promise, on behalf of himself and the Board, that they will endeavour to perhaps bring a States' report or policy letter to this Assembly, to discuss those concerns at some point, either later this year or early next year after the next review of nursing?

405 **The Deputy Bailiff:** Deputy Luxon.

Deputy Luxon: Sir, if I understood Deputy Gollop's question correctly, we are intending bringing a States' report in July reflecting the £1.71 million of costs that revolves around the NMC extraordinary review. So we intend to do that in July.

410

The Deputy Bailiff: Deputy Harwood.

Deputy Harwood: Thank you, sir.

415 Does the Minister share with me a sense of disappointment at the sorry saga we have with the Electronic Health Service Records Project – particularly, given my role as Deputy Chair of Public Accounts Committee, that this is a matter that should be seriously reviewed to consider the lessons that we can learn from the problems that have been associated with that, and also how this matter can be tackled going forward in the future?

420 Can he please reassure this Assembly that there will be a full detailed report on the saga of the Electronic Health Services Records produced to this Assembly if possible before the end of the current term?

The Deputy Bailiff: Deputy Luxon.

425 **Deputy Luxon:** Sir, as I hope that I said in response to Deputy Bebb's question, I totally accept
concern regarding this project. I cannot remember how long it has been in play for now, but it
certainly has not progressed in the way that we all would have wished and it certainly is not
delivering the outcomes that are so critically important within a very diverse and complex
Department, in terms of being able to manage itself.

430 So what I would say is we are absolutely prioritising this, as I said Deputy Minister, Deputy
Soulsby, has brought several updates back to the main HSSD Board and her concerns are
matched by the main HSSD Board, and I cannot imagine that we will not be bringing back a
report. I am just conscious about the very busy work streams that HSSD already has, but we do
take this seriously and we will report back. (**A Member:** Hear, hear.)

435

The Deputy Bailiff: Deputy Perrot.

Deputy Perrot: My question to the Minister concerns the EHCR again – and forgive me if my
question is somewhat naive and it shows that we are going at the speed of the slowest of the
convoy in my asking it – but I had understood that we had voted a further £650,000 that would
enable these final two elements of the EHCR to be brought to a close by the end of this year.

440 Those two elements were the childhood information database and e-prescribing. All that
would remain there would be a project insurance review which I think involved an internal audit.

445 Having heard all that the Minister has said, could he confirm that these two elements will be
brought to fruition, to a close, by the end of this year? I accept that this is maybe another
question, and in particular the childhood information database, and I ask that especially because
at the moment the position is so difficult in relation to child records – and positively dangerous.

The Deputy Bailiff: Deputy Luxon.

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Deputy Luxon: Sir, I cannot add anything more, but what I will do is I will ask the Department
to issue an update to States' Members after this States' sitting of exactly where we are in terms of
the intended timeline. The HSSD Board absolutely joins Deputies Perrot and Harwood in terms of
their concern and certainly our belief was that further progress would have been made at this
point.

455

The Deputy Bailiff: Deputy Bebb.

Deputy Bebb: Thank you, Monsieur Le Député Bailli.

460 Would the Minister agree to undertake to publish, in relation to maternity services, the number
of those deliveries actually completed within the PEH for a number of months, and also the
method by which those deliveries have been conducted; so that there is an understanding of
whether there has been a disproportionate medical intervention in delivery on the Island and/or
whether women are afforded the proper knowledge and the opportunity to make informed
choices as to the delivery of children in Guernsey?

465

The Deputy Bailiff: Deputy Luxon.

Deputy Luxon: Sir, I am sorry, I really did not grasp the essence of that question. I would need
some clarification to be able to answer it.

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The Deputy Bailiff: Could it be placed again, please?

Deputy Bebb: Would the Minister agree to publish the number of deliveries on-Island, along
with the method of each delivery, therefore the number of caesarean sections, the number that
are being done by ventouse, the number that are natural, so that there is an understanding as to

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whether there has been undue medical intervention over the last few months as a result of the findings?

480 **The Deputy Bailiff:** Deputy Luxon.

Deputy Luxon: Sir, it was the 'over the last few months' that helped to clarify that for me. I can see no reason why we should not wish to do that, but I will take advice and I will come back to Deputy Bebb.

485

The Deputy Bailiff: Deputy De Lisle.

Deputy De Lisle: Thank you, sir.

490 Deputy Luxon, the Minister, mentioned the Isle of Man and Jersey. In what ways is the Department working with Jersey in an effort to drive down costs of operating two separate Health Services in the Channel Islands, and what success are the deliberations making?

The Deputy Bailiff: Deputy Luxon.

495 **Deputy Luxon:** There is no success. We met two weeks ago and these are three Governments rather than one operating at tortoise-like pace.

The joint meeting in Jersey which was instigated by our new Board, invited the Isle of Man and Jersey to meet with us for the very reason of exploring some of the opportunities that Deputy De Lisle describes.

500

It was a very positive, worthwhile, fruitful meeting. It was not just get-to-knows. We took Chief Officers and the Ministers, and I can say honestly that there were half a dozen to 10 very specific, very discrete areas that it was felt that all three Island jurisdictions were in a position both to be committed or interested in wanting to explore in terms of efficiency with the other jurisdictions; and so those six action points have been agreed.

505

The Chief Officers have agreed on a time line to meet again and to develop those, so that those opportunities can be explored and presented to each of the Boards.

In my role as Minister, I will be taking a genuine interest in trying to progress the exploration of those opportunities, because if we are going to find transformation efficiencies, it will be mad to only look for those within Guernsey's health and social care system, it would be sensible to also look at the areas of duplication.

510

One of the things that surprised me was that probably 75% to 80% of the significant issues that Guernsey's health and social care service is looking at, or being confronted with at the moment, were mirrored by the same situations in the Isle of Man and Jersey. So I do think there are serious opportunities and if ever there was a time for Guernsey and those other two jurisdictions to commit to joint working it is now when we have the financial pressures, as Deputy Brehaut mentioned earlier, mounting for health care in our Island.

515

Quarterly update on States' financial position – Statement by the Minister of Treasury & Resources

The Deputy Bailiff: We now move on to a Statement from the Minister of the Treasury & Resources Department, Deputy St Pier.

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Deputy St Pier: Mr Deputy Bailiff, thank you for the opportunity to make a statement this morning. It is in two halves: good news and challenges.

As I have done periodically in the last three years, sir, I wish to update the Assembly on our current financial condition, in this case, the overall year-end financial position for 2014. In addition, I would like to comment on the emerging financial issues for Health & Social Services Department for the 2015 financial year.

525 Firstly, the good news. The Budget for 2014 anticipated the requirement to draw down £14 million from the Contingency Reserve in order to cover the overall deficit. This forecast remained consistent throughout 2014, despite the estimates of revenue falling, as this was compensated by lower expenditure.

530 Now that the preliminary year end results are available – which, to be clear, are still subject to final adjustments and audit – I am pleased to be able to advise the Assembly that the overall drawdown from the Contingency Reserve in 2014 is only likely to have been £8 million. This is an improvement of £6 million over the budgeted position and £17 million from 2013. It is also, of course, a significant improvement on the dark days of 2010 when the deficit peaked at over £37 million.

535 Overall, our general revenue income for the year totalled £384 million which is 6.1% above the 2013 position and, in contrast to our expectations during the year, is in fact in line with the budgeted position. After allowing for new taxes through the extension of the 10% corporate band approved by the Assembly, and changes to the accounting for housing rents, this becomes a 3% real terms like-for-like increase in our revenue income. This is very welcome news, given our expectations in the year and the muted growth in revenues over recent years, and it is an indication of growth returning to our economy.

540 In terms of expenditure, the year-end outturn was £351 million against an authorised budget of £356 million, and this compares to forecasts of the year-end outturn, published at the time of the 2015 Budget Report, of £353 million. This overall £5 million, or 1.4%, underspend conceals a number of overspends and underspends, three of which I wish to bring to the attention of States' Members.

550 There have been regular Minister-to-Minister meetings throughout 2014 between Treasury & Resources and the Education Department to monitor the Education Department's financial position. As anticipated, the Education Department has spent a total of £1.6 million more than its authorised budget as a result of timing differences for the realisation of financial savings – for example, the reduction in college grants – which contribute towards its Financial Transformation Programme target.

555 At the end of the year a total of £2.1 million remains to be delivered, of which £1.5 million relates to projects already signed off but with longer delivery dates; projects have been identified and initiated for the remainder, which are expected to be delivered over the next three years.

The Social Security Department will have underspent its budget during the 2014 by some £700,000, and this is largely as a result of smaller than anticipated Supplementary Benefit payments, the cost of which has decreased overall in 2014.

560 As predicted throughout 2014, the Health & Social Services Department overspent its authorised budget by some £4.6 million. This can be broken down into a £3.7 million shortfall on the Department's FTP target, that the Minister referred to, and £0.9 million overspend in the baseline, largely as a result of off-Island placements and pressures in acute services.

565 The financial position for the Health & Social Services Department for 2015 is of more significant concern. As outlined by the Minister in his Statement, significant cost pressures are emerging. We have been monitoring these pressures closely in the monthly HSSD and Treasury & Resources ministerial meetings, and the magnitude of these alarming pressures were discussed in detail last week, although they have not yet been formally presented to, or considered by, the Treasury & Resources Department.

570 However, it is inevitable that the funding of the Health & Social Services Department for 2015, and future years, will need to be addressed by this Assembly. We must ensure that our public services are appropriately funded and we must do this based on evidence. However, we must also

ensure that the taxpayer only pays what is essential to deliver the services required, and that we can evidence that requirement and that those services are being provided efficiently.

575 As indicated in the 2015 Budget Report, my Department, working closely with Health & Social Services Department, has jointly commissioned a review to thoroughly cost and benchmark the services – and the Minister referred to that in his Statement – which are provided in that Department in order to ensure that this Assembly can make those evidence based decisions about future budget allocations. It is likely that those decisions will be difficult. With limited funding, 580 choices will have to be made as to how much of the overall Budget should be allocated to Health & Social Services versus others such as Education, Law Enforcement and the Island's infrastructure.

Finally, I would like to add that safeguarding of our most vulnerable citizens – be they patients, children at risk of significant harm, or adults at risk – must be robust and assured. To this end, the recent internal and external reviews that have been undertaken and referred to by the Minister of HSSD in his Statement to you today, provide good evidence for the need for transformation 585 across Health and Social Care.

Sir, I would like to take this opportunity to reiterate that life cannot 'go back to normal' now that the Financial Transformation Programme has come to an end. We are all well aware of the significant pressures which are mounting as a result of changing demographics and the consequential demand pressures, which I am sure we will discuss at length on the debate on the 590 Personal Tax, Pensions and Benefits Review. There will be, therefore, an ongoing need for continuous improvement and efficiency in the future, to ensure that those unavoidable pressures can be mitigated and sustainably delivered within the limited funding available.

Managing public finances and delivering a balanced Budget requires an equilibrium between the revenues we collect from our community and the funding of the public services we deliver. It is therefore vitally important to ensure that the tax base is as resilient as possible to economic 595 pressures in the future, in order to protect our ability to deliver those public services in the long term.

The Assembly has the opportunity over the coming days to take steps to ensure that this is the case in considering the recommendations of the Personal Tax, Pensions and Benefits Review. 600

Sir, in summary, a better outturn for 2014 than we had expected, as a result of stronger revenues and good control of expenditure, but some very real pressures which we will need to manage in 2015.

It is my ongoing intention, sir, to continue to keep Members regularly updated about our financial position and I, therefore, anticipate, with your permission, making further statements to the Assembly in May and September. 605

Thank you, sir.

The Deputy Bailiff: Deputy Trott.

610

Deputy Trott: Sir, this is indeed very pleasing news and there was one particular element to the Minister's Statement which surprised many, including the T&R Board, and that is reference to the 3% real terms rise in revenues on a like-for-like basis.

Sir, would the Minister agree with me that this is likely, somewhat counterintuitively, to be reflected in the overall growth in GDP here last year, to reflect a level that would at least be equivalent, if not surprisingly in excess, of that expected from the UK? 615

The Deputy Bailiff: Minister.

Deputy St Pier: I thank Deputy Trott for that question. 620

That probably is a question that neither he nor I do know the answer to. I would urge caution. I think his point is valid. Clearly improvements in revenues are reflective of a stronger economy, but I would like to await the final figures before reaching any firm conclusions. But it is certainly an encouraging sign that perhaps we were not expecting.

625 I would hope that when I report to the Assembly in May, sir, we will obviously have the first
quarter's indications for this year that, I think, will hopefully indicate a trend which might lead to
more affirmation along the lines that he is suggesting.

The Deputy Bailiff: Deputy Soulsby.

630 **Deputy Soulsby:** Sir, previously we have heard about problems in the Income Tax Office
regarding back logs in returns. I was wondering whether the Minister could say to what extent he
believes improvements at the Tax Office have contributed to the increase in income?

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

Deputy St Pier: Sir, it is a fair question. However, based on our previous work in this area, of
course the vast bulk of our revenues are collected through the ETI system and through interim
assessments, and therefore, if you like, the cash flow has not been significantly affected by the
640 problems that were experienced in the Income Tax Office last year.

So no detailed analysis has been undertaken, but clearly it is a positive that the administration
of Income Tax has improved and will continue to improve this year, I very much hope, sir.

The Deputy Bailiff: Deputy De Lisle.

645 **Deputy De Lisle:** Sir, given the very real pressures that the Minister has mentioned for 2015
and on, my question is with respect to whether the Minister is considering extending the scale of
Zero-10 corporate policy further to become more comparable with Jersey. He has mentioned in
the past that there is still scope and I would just like to know what the Minister is considering in
650 terms of further changes to the Zero-10 policy or extensions to it?

The Deputy Bailiff: Minister.

Deputy St Pier: Sir, that question from Deputy De Lisle is as regular as my statements, I
655 believe, (*Laughter*) and I thank Deputy De Lisle for that question again.

I can confirm to Deputy De Lisle and the Assembly that, of course, Treasury & Resources
Department continues to keep the corporate regime and continues to monitor it as it has done
over the last few years, and where the opportunity arises then we will consider bringing
recommendations to the Assembly.

660 The gap analysis at the moment would suggest that the differences between ourselves and
Jersey revolve around custody business and also the importation of hydrocarbons. In relation to
comparisons with the Isle of Man, the Isle of Man also taxes what it defines as major retail.

665 So we will this year, sir, undertake an analysis to understand the differences between ourselves
and those other regimes, and what impact it would have if we were to make further changes, and I
can reaffirm to Deputy De Lisle and the Assembly that if we do have further recommendations we
will bring them to this Assembly, sir.

The Deputy Bailiff: Deputy Wilkie.

670 **Deputy Wilkie:** Thank you, sir.

Will the Minister agree with me that the failure of Treasury & Resources to ring-fence the
Health Budget against cuts has contributed to the current issues at HSSD?

The Deputy Bailiff: Deputy St Pier.

675 **Deputy St Pier:** It will not come as any surprise, sir, that I do not agree with Deputy Wilkie.

680 I think from the Statement from the Minister for Health & Social Services Department this morning, sir, it is apparent that the challenges within Health & Social Services are systemic and endemic and go far beyond just the size of the budget, which is clearly an issue, which does need to be benchmarked so that we can make some proper allocation decisions for 2016 and beyond. But the problems go far beyond just quantum, sir.

The Deputy Bailiff: Deputy Gollop.

685 **Deputy Gollop:** Sir, the Minister made reference to the root and branch review into Health & Social Services expenditure and evidence-based approach to looking at overall budget. Wouldn't the Minister agree that it is time for Treasury & Resources Department to commission, perhaps for a series of public hearings, a zero-based approach to all 10 Departments as to what budgets they really need, that are appropriate for the future, rather than just relying on historic-based formula for that calculation?
690

The Deputy Bailiff: Minister.

695 **Deputy St Pier:** Sir, of course, the States are committed to the introduction of zero-based budgeting and, of course, the mechanism for the delivery of that was intended to be the Government Service Plan. It is simply a question of prioritisation and the dedication of appropriate resources to allow that to move forward. However, as I indicated in my Statement, because of the pressures which exist, it is becoming increasingly important that we do find mechanisms by which we can prioritise between Departments, so that this Assembly can make those difficult allocation decisions.
700

The Deputy Bailiff: Deputy Laurie Queripel.

705 **Deputy Laurie Queripel:** Thank you, sir.
Will the Minister ensure that this ongoing review that he alluded to will look closely at pay costs amongst operational costs and will play a part in any future efficiency initiatives?
Thank you, sir.

The Deputy Bailiff: Deputy St Pier.

710 **Deputy St Pier:** Sir, pay, clearly, is a significant part of States' total expenditure and it is important that that does remain under control, as indeed it has been over the last few years. But, clearly, the ongoing initiatives by the Chief Executive in relation to Service Guernsey and the impact on the delivery of services are going to be critical in terms of its impact on staff numbers and the delivery of services to the public.
715

The Deputy Bailiff: Deputy Brehaut.

720 **Deputy Brehaut:** Thank you, sir.
Can I ask, putting children in prison rather than putting children in a secure unit – is that a saving worth having?

The Deputy Bailiff: Deputy St Pier.

725 **Deputy St Pier:** I am really not sure that derives from the Statement, sir.

The Deputy Bailiff: Deputy Dorey.

Deputy Dorey: Thank you, sir.

730 The £6 million improvement in the year-end prediction from the Budget is obviously very encouraging. Does the Minister now regret some of the proposals in the Budget which included freezing personal allowances, which now seem to be unnecessary, and will he agree that we need to improve our predictions for end of year and will he reverse those freezes in the Budget at the end of this year?

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

Deputy St Pier: Sir, no, I do not regret the decisions that were made at the time of the Budget. Clearly, the decisions are made on the basis of best information at that time, and I think this Assembly's priority in this term has been – one of its highest priorities has been – to eliminate the deficit; and that clearly underpinned the recommendations which my Department brought to the Assembly last year.

740
745 In relation to the Budget decisions that will be made later this year, again I am not going to give any commitment in relation to those. It is far too early to do so. Clearly, any improvement in the economy which is reflected in revenues will be positive in enabling us to consider the position for 2016.

The Deputy Bailiff: Deputy De Lisle.

750 **Deputy De Lisle:** Sir, we still have no real details of the post-FTP efficiency savings programme. Can the Minister give some indication as to what is intended to draw down the cost of running this very small Island?

The Deputy Bailiff: Minister.

755 **Deputy St Pier:** I am not sure I entirely understand the question, but certainly the first half of the question, sir – it is Policy Council's intention to bring a final report of the FTP to this Assembly, I believe, before July, which will obviously detail the progress delivered through FTP. I am not sure whether that answers the question or not, sir.

760 **Deputy De Lisle:** Can I ask a supplementary on that then, sir?

The Deputy Bailiff: Deputy De Lisle.

765 **Deputy De Lisle:** The question concerns the programme that we need to place forward, with regard to continuing the successes of FTP over the past few years. That was the first question. The second one was the initiatives that will be taken in order to draw down the cost of running Guernsey, if you like, in the future.

770 **The Deputy Bailiff:** Does that help, Minister?

Deputy St Pier: It does, sir, yes.

775 The post-FTP and ongoing transformation programme, again, is not primarily a responsibility of the Treasury & Resources Department, but I am aware that it is the intention of Policy Council to bring proposals to this Assembly, I think in September this year, which will detail ongoing reform of the public services, which I think will address Deputy De Lisle's question.

The Deputy Bailiff: Deputy Trott.

780 **Deputy Trott:** Sir, just one more from me, it regards expenditure. The news is pleasing, but is the Minister able to confirm to the Assembly his confidence in the figures, bearing in mind the ongoing problems reported with the SAP accounting system?

The Deputy Bailiff: Deputy St Pier.

785 **Deputy St Pier:** Sir, I am not aware of the ongoing problems to which Deputy Trott refers. I am sufficiently confident in these numbers to report them to the Assembly today, as I say, subject to final adjustment and audit. I do believe with reasonable confidence, otherwise I would not have put the information in the public domain, sir.

790 **The Deputy Bailiff:** Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, sir.

Would the Minister agree that post-FTP, the focus is more on transformation and, as such, the SAMP programme, e-Gov and the States' Review Committee, hopefully, will also be a contributor.

795

The Deputy Bailiff: Deputy St Pier.

800 **Deputy St Pier:** Sir, I totally agree. As I have said on a number of occasions, it is entirely appropriate that the programme follows the Financial Transformation Programme and is not financially driven; and some of the initiatives which Deputy Kuttelwascher referred to are precisely the sorts of things that we will need in order to deliver the alternative service delivery and, indeed, the innovation and efficiency that will be required in the future, but not purely driven in a financial way in the same way that the FTP was.

805 **The Deputy Bailiff:** Before we move on to Question Time, Alderney Representatives Jean and McKinley have appeared and we welcome both of them. Would you both wish to be *relevés* gentlemen?

Alderney Representatives Jean and McKinley: Thank you, sir.

810

Questions for Oral Answer

EDUCATION DEPARTMENT

Universal pre-school education – Report and investigation

The Deputy Bailiff: The first set of Questions is to be posed by Deputy Collins to the Minister of the Education Department.

Deputy Collins.

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Deputy Collins: Thank you, sir.

Is your Department still on target, jointly with T&R, to report to this Assembly this year on the funding options for universal pre-school?

820 **The Deputy Bailiff:** Deputy Sillars to respond.

Deputy Sillars: Sir, we did have a very slow start, with the designated Treasury & Resources Members finding it difficult to make time alongside other priorities to commit to a meeting to begin discussing the funding options.

825 Following States' approval in May, we met for the first time in December 2014 and have held one further meeting since then. I have also discussed the issue directly with the Treasury Minister during one of our regular one-to-one meetings.

We have made some progress and we continue to engage with Treasury & Resources, and I believe that we can stay on-target to bring options for the funding of a universal entitlement for all three- to four-year-olds to 15 hours a week of quality pre-school provision to the September 2015 States' meeting.

830 Our target start date for the introduction of the entitlement remains September 2016, as approved by the States.

The Deputy Bailiff: Deputy Collins to pose his second Question in place.

835

Deputy Collins: Thank you, sir.

What progress has your Department made with T&R on investigating the options on universal pre-school over the last nine months?

840 **The Deputy Bailiff:** Deputy Sillars to reply.

Deputy Sillars: As already stated, we have had a slow start with Treasury & Resources. We have considered various options but it is too soon to give any further details at this time.

845 The Department has made good progress on other areas of developing universal pre-school entitlement. Officers continue to work closely with private providers and the Health & Social Services Department on all details of the scheme, particularly the necessary regulatory and quality assurance aspects. This work is being funded from within Education's existing budget.

The Deputy Bailiff: Again, there are no supplementaries.

External Relations and independence – Policy Council reports

850 **The Deputy Bailiff:** We will move to the second set of Questions, this time to be posed by Deputy Gollop to the Chief Minister.
Deputy Gollop.

855 **Deputy Gollop:** Will the States of Deliberation, later this year, be able to debate a Policy Council-based report on our external relations and our international obligations such as the continuing issues of the CEDAW Treaty issue?

The Deputy Bailiff: Chief Minister to reply please.

860 **The Chief Minister (Deputy Le Tocq):** The Policy Council publishes an external relations activity report every six months. The next report will be due after the end of June this year. These are circulated to all States' Members and are then published. Any subsequent report on our external relations that is required to be laid before the Assembly should have an expressed purpose and be seeking clear resolutions.

865 The international conventions that have been extended to Guernsey are laid before the States as an appendix in accordance with a States' Resolution from 1987. An updated report could be laid before the end of the year to update the Assembly on such matters.

In respect of the CEDAW Treaty, the UN Convention for the Elimination of all forms of Discrimination Against Women, I refer Deputy Gollop to my response to a Rule 6 question from Deputy Green on this matter dated 12th March 2015, and referenced 2015/25.

The Deputy Bailiff: No supplementaries, so Deputy Gollop to pose his second Question to the Chief Minister.

875 **Deputy Gollop:** Will the Policy Council, in conjunction with the Constitutional Investigation Committee, be publishing a report before March 2016 of our evolving position and possibilities for safeguarding our legislative and continuing fiscal independence?

The Deputy Bailiff: Chief Minister to reply.

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The Chief Minister: I am responding to this Question in my role as *ex officio* Chairman of the Constitutional Investigation Committee, which was established as a Committee of the States that would report back to the States rather than being a sub-committee of the Policy Council. The Policy Council, however, would have a right to comment on such proposals.

885 The Committee was established principally to look at arrangements for Royal Sanction of Projets de Loi and the process of extending international conventions and entering into certain international agreements directly. It will seek to safeguard the current good working relationships and eliminate any risk of future political interference in these processes. It is not directly looking at matters relating to our fiscal independence, which is a fundamental part of the Island's constitution.

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The Committee was formed in January 2014 and commenced working in the spring of last year. It has explored many options and constitutional arrangements of other jurisdictions and found a range of options which might suit Guernsey.

895 The Committee's support comes from existing Policy Council staff rather than its own secretariat. These staff provide support to many work streams across a variety of Departments and Committees and where urgent need arises. This has meant that, due to the limit on resources available to meet all of these and regular Policy Council priorities, there has been a delay in processing this work at the pace that was originally expected.

900 The External Relations Group, with the Policy Council, has discussed these concerns and is currently looking at ways to progress at an appropriate pace, ideally without the need for additional resources or budget allocation, with the expressed intention of laying a report and recommendations before the Assembly by the end of this States' term.

The Deputy Bailiff: Deputy Gollop.

905

Deputy Gollop: Thank you, sir.

910 Doesn't the Chief Minister believe, given the possible political uncertainty that Her Majesty's government in the United Kingdom might be facing over the next year or so, that it is urgent to prioritise resources in a way not dissimilar to Jersey on these matters, to speed up any legislation we wish to pass and many other areas of ensuring that we retain and enhance our constitutional independence and our constitutional rights?

The Deputy Bailiff: Chief Minister.

915 **The Chief Minister:** I certainly believe it is absolutely right that we defend our existing rights and seek to extend and improve our relationship, be that with the Crown or indeed our inter-governmental relationship with the UK.

920 Of course, during this time we have been discussing such matters as have been the remit of the Constitutional Investigation Committee with the Ministry of Justice, and we are pleased to see that there is a willingness to move in the direction that we think is appropriate for Guernsey at this stage. But, until such a time as we can report back to this Assembly, I cannot say more.

The Deputy Bailiff: Well, Members of the States, that concludes Question Time.

Billet d'État VI

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

**The Health Service (Payment of Authorised Appliance Suppliers)
(Amendment No. 2) Regulations, 2014;**

**The Health Service (Payment of Authorised Suppliers) (Amendment No. 2)
Regulations, 2014;**

**The Health Service (Benefit) (Limited List) (Pharmaceutical Benefit)
(Amendment) (No. 7) Regulations, 2014;**

**The Social Insurance (Classification) (Amendment) (Guernsey)
Regulations, 2014;**

**The Social Insurance (Contributions) (Amendment) Regulations, 2014;
The Rabies Order, 2014**

The Deputy Bailiff: Deputy Greffier, laying of the Statutory Instruments please.

925 **The Deputy Greffier:** Sir, the following Statutory Instruments are laid before the States: The Health Service (Payment of Authorised Appliance Suppliers) (Amendment No. 2) Regulations, 2014; The Health Service (Payment of Authorised Suppliers) (Amendment No. 2) Regulations, 2014; The Health Service (Benefit) (Limited List) (Pharmaceutical Benefit) (Amendment) (No. 7) Regulations, 2014; The Social Insurance (Classification) (Amendment) (Guernsey) Regulations, 2014; The Social Insurance (Contributions) (Amendment) Regulations, 2014; The Rabies Order, 2014.

935 **The Deputy Bailiff:** Thank you very much. We note that those five Statutory Instruments have been duly laid at this meeting and there have been no motions to annul.

Billet d'État VI

I. Priaulx Library – New Member – Deputy Langlois elected

Article I.

The States are asked:

To elect a member of the Priaulx Library Council to fill the vacancy which arose on 1st January, 2015, by reason of the expiration of the term of office of Jurat David Osmond Le Conte, who is not standing for re-election.

The Deputy Greffier: Billet D'État VI, Article I, Priaulx Library – New Member.

940 **The Deputy Bailiff:** Deputy Adam.

Deputy Adam: Thank you, sir.

945 Firstly, I would like to put on record the Council's thanks to Jurat David Le Conte for his work with the Priaulx Library Council over the past four years. His great interest in Guernsey, past and present, and his knowledge, in particular, in scientific research materials has been of immense value.

950 Fortunately, he will continue his close involvement as a long-term user of references, as an active member of The Friends of Priaulx Library, to which any of you may join if you are interested in Guernsey heritage. He is currently organising a major Occupation-themed exhibition in partnership with the Red Cross, to be held at the Priaulx Library in April and May.

For a new person to join the Board, I stand to propose Deputy Allister Langlois as the Council's preferred candidate for the position on the Priaulx Library Council vacated by Jurat Le Conte.

955 **The Deputy Bailiff:** Thank you, Deputy Adam. Is that nomination seconded?

Deputy Domaille: I am pleased to second that nomination, sir.

The Deputy Bailiff: Thank you, Deputy Domaille.

960 I do not see anyone else rising to propose any other candidate. Therefore, I put to you the candidature of Deputy Allister Langlois to fill the vacancy on the Priaulx Library Council. He is proposed by Deputy Adam and seconded by Deputy Domaille. Those in favour; those against.

Members voted Pour.

965 **The Deputy Bailiff:** I declare Deputy Langlois duly elected.

POLICY COUNCIL

**II. The Planning Panel –
Re-election of Panel Members and Amendments to the
Terms of Office for Panel Members –
Propositions approved as amended**

Article II.

The States are asked to decide:

Whether, after consideration of the Report dated 15th December, 2014, of the Policy Council, they are of the opinion:-

- 1. To re-elect Mr. Patrick Russell to sit as a lay member of the Planning Panel until 31st March 2021.*
- 2. To re-elect Mr. Stuart Fell to sit as a professional member of the Planning Panel until 31st March 2021.*
- 3. To re-appoint Mr. Patrick Russell as Chairman and Mr. Stuart Fell as Vice Chairman of the Planning Panel until 31st March 202. [2021]*
- 4. To authorise the Policy Council, in consultation with the Planning Panel, to advertise for two reserve members to join the Planning Panel and shadow the work of the Panel.*
- 5. To amend section 86(4) of the Land Planning and Development (Guernsey) Law, 2005 to:*
 - (a) reduce the term of office from six to four years subject to any prior requirement to retire as set out below;*
 - (b) introduce a retirement age of seventy years for the Chairman and members of the Planning Panel, unless otherwise extended by the Policy Council, and in any case they shall retire on reaching their seventy second birthday;*
 - (c) set a maximum term of office for members of 12 consecutive years, except where a person is appointed as Chairman from amongst the Planning Panel, in which case the appointment should be limited to 16 consecutive years, subject in either case to the retirement requirement above.*

The Deputy Greffier: Article II, Policy Council – The Planning Panel – Re-election of Panel Members and Amendments to the Terms of Office for Panel Members.

970 **The Deputy Bailiff:** I invite the Chief Minister to speak to this Report.

The Chief Minister (Deputy Le Tocq): Sir, this Report is self-explanatory, and I hope that all Members will support the proposals.

975 **The Deputy Bailiff:** Is there any debate on anything in this Report?

The Procureur: Could I move an amendment to Proposition 3, which would have Mr Russell and Mr Fell serving until '31st March 202'? It is rather a long time ago! (*Laughter*) It should be '2021'! (*Interjections*)

980 **The Deputy Bailiff:** Is that seconded, Chief Minister?

The Chief Minister: Yes, I definitely second that.

985 **The Deputy Bailiff:** It is a technical amendment, Members of the States, so I hope there is no debate on it, at least. It is to modify the date at the end of Proposition 3, proposed by the Procureur, seconded by the Chief Minister. Those in favour; those against.

Members voted Pour.

990 **The Deputy Bailiff:** I declare the amendment duly carried.
There are five Propositions, as now amended, on page 391. I propose to take them separately. Proposition 1 is to re-elect Mr Patrick Russell to sit as a lay Member until 31st March 2021. Those in favour; those against.

995 *Members voted Pour.*

The Deputy Bailiff: I declare him duly re-elected.
The second Proposition is to re-elect Mr Stuart Fell to sit as a professional member of the Panel until 31st March 2021. Those in favour; those against.

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Members voted Pour.

The Deputy Bailiff: I declare Mr Fell duly elected.
The third Proposition, as amended, is to re-appoint Mr Patrick Russell as the Chairman and Mr Stuart Fell as the Vice-Chairman of the Planning Panel until 31st March 2021. Those in favour; those against.

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Members voted Pour.

The Deputy Bailiff: I declare both of those duly re-appointed to those offices.
Propositions 4 and 5 are to deal with other amendments to the regime for Members of the Planning Panel. Those in favour; those against.

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Members voted Pour.

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The Deputy Bailiff: I declare both of those Propositions duly carried.

Billet d'État IV

TREASURY & RESOURCES DEPARTMENT AND SOCIAL SECURITY DEPARTMENT

Planning a Sustainable Future – The Personal Tax, Pensions and Benefits Review – Debate commenced

Article I

The States are asked to decide:

Whether, after consideration of the Report dated 15th January, 2015, of the Treasury and Resources Department and the Social Security Department, they are of the opinion:

- 1. To agree that in order to ensure that public services can continue to be delivered economically and sustainably in the long term, ongoing changes in the demographic make-up of the populations of Guernsey and Alderney require the adoption of a package of measures in relation to the tax and benefits systems, as put forward in that Report.*
- 2. To agree that any changes made to the personal tax system as a result of the approval of the Propositions 4 to 41 below, including any transitional arrangements, should be completed no later than January 2025 unless otherwise agreed.*

3. To direct the Treasury and Resources Department and Social Security Department to co-ordinate their actions and report annually to the States on the transitional measures required as a result of the approval of Propositions 4 to 41 to ensure that any groups of people disadvantaged by the measures agreed are adequately protected throughout the transition period detailed in paragraphs 6.1.1 to 6.1.7 of that Report.

4. To direct the Policy Council to review the impact of population policy on current and future economic growth in Guernsey and report back to the States of Deliberation with its findings no later than July 2018.

5. To direct that the Treasury and Resources Department and Social Security Department, when making recommendations for changes in tax and benefits during the transitional period as detailed in paragraph 6.1.1 to 6.1.7 of that Report, to have regard to the numbers of people resident in Guernsey and Alderney, their demographic make-up and their level of economic activity.

Module 1

6. To amend the Fiscal Framework to place an upper limit on aggregate government income, incorporating General Revenue, Social Security contributions and fees and charges, such that total government income should not exceed 28% of Gross Domestic Product.

Module 2

7. To direct the Social Security Department, in consultation with the Treasury and Resources Department, to present to the States of Deliberation for approval a report or reports outlining policies to ensure adequate personal or workplace pension provision in Guernsey and Alderney covering the following parameters:

- the enhanced take up of private pension schemes;
- the creation of a pension scheme designed to capture those not currently making personal provision (outside of the existing statutory old-age pension scheme);
- the enhancement of incentives for contribution to a private pension scheme through the tax system;
- the feasibility of devising a scheme whereby pensioners may, if they so wish, invest their pensions in a fund tracking the performance of the capital funds managed on behalf of the States of Guernsey.

8. To agree that any additional pension scheme adopted as a result of Proposition 7 be made available to contributors no later than January 2020.

9. To agree that long-term planning for statutory old-age pension provision be designed to maintain a buffer of at least two years of expenditure within the Guernsey Insurance Fund.

10. To agree to establish a guideline for the annual uprating of statutory old-age pensions, set initially at 1/3rd of the real increase in median earnings, with the intention to reduce this to RPIX subject to suitable policies to enhance personal provision being in place.

11. To direct the Social Security Department to take the above guideline in Proposition 10 into account in its recommendations for the annual uprating of statutory old-age pensions, and to provide the States of Deliberation with detailed reasoning for any recommendation to deviate from it in its annual uprating report.

12. To direct the Social Security Department to review the guideline for the annual uprating of statutory old-age pensions no later than 2020, having regard to progress made in establishing supporting policies to enhance personal pension provision and the actuarial projections for the Guernsey Insurance Fund at that time.

13. To agree that the age at which an individual is entitled to claim their statutory old-age pension should be increased from 65 to 70 years, such increase to commence in 2020 at a rate of 2 months per year to reach age 70 in 2049.

14. That the States Resolution dated 31st July 2009 (Billet d'État XXI, July 2009) stating 'That pension age shall gradually be increased to 67 through increases of 2 months per year, starting in 2020' be rescinded.

15. To direct the Social Security Department, in consultation with all other relevant departments, to investigate measures aimed at supporting longer working lives and assisting older people who wish to work to remain in the workforce, and to report to the States of Deliberation with its findings no later than December 2017.

16. To direct the Social Security Department to review the funding of parental benefits with reference to propositions 9 to 14, where agreed, as part of the Personal Tax, Pensions and Benefits Review, before any proposals for change to such benefits resulting from its review entitled 'Changes to Parental Care Provisions' are laid before the States of Deliberation.

17. To acknowledge that the present model of provision of long-term residential and nursing care for older people is financially unsustainable and to direct that the Policy Council give consideration to the suggestions outlined in paragraphs 5.2.42 to 5.2.48 of that Report, when reporting to the States of Deliberation on a Supported Living and Ageing Well Strategy.

18. To direct the Policy Council to ensure that the outputs of the Supported Living and Ageing Well Strategy can be achieved within the financial limitation set out by the Fiscal Framework and any extension of those limitations to incorporate income from Social Security contributions agreed by the States of Deliberation's approval of proposition 6.

Module 3

19. To agree to phase out the payment of a universal Family Allowance under the under the Family Allowances (Guernsey) Law, 1950 between 2016 and 2025, through gradual reductions in the amount paid having regard to the increases in personal tax allowances as outlined in Proposition 27 below, and direct the Social Security Department to bring forward proposals to effect this in its annual uprating reports.

20. To agree to phase out the universal exemption from prescription charges for those over the age of 64 by 2020, and direct the Social Security Department to bring forward proposals to effect this in its annual uprating reports.

21. To agree to introduce in 2016 a nominal fee for prescriptions of up to £1 per item for all those currently exempt from prescription charges, and direct the Social Security Department to bring forward proposals to effect this in its annual uprating report.

22. To agree to increase prescription charges to £4.40 per item in 2016 and thereafter to review them annually, and direct the Social Security Department to bring forward proposals to effect this in its annual uprating reports.

23. To agree to phase out the provision of free TV licences for those over the age of 74 and those over the age of 64 claiming Supplementary Benefit by closing the scheme to new members in 2016 and closing the scheme to all by 2020, and direct the Social Security to bring forward proposals to effect this in its annual uprating reports.

24. To agree to phase out the Health Benefit grant for primary care appointments by 2025, and direct the Social Security Department to bring forward proposals to effect this in its annual uprating reports.

25. To direct that the Social Welfare Benefit Investigation Committee ensures that the outputs of its review of social welfare benefits complies with the Fiscal Framework and any extension of these limitations agreed by the States of Deliberation's approval of Proposition 6.

Module 4

26. To agree in principle that, to bring Guernsey's tax base more into line with those in other advanced economies, by 2025 the reliance on direct personal taxes and Social Security contributions should be both reduced significantly from its current level of 74% of total government income and diversified, so that a greater proportion of taxation revenues is derived from other forms of taxation.

27. To agree that between 2015 and 2025, and subject to approval and implementation of the measures set out in Propositions 28 to 39 below, to phase in increases in personal tax allowances to no more than £17,500 (at 2015 prices), the level of phasing having regard to the effect of the other measures introduced as a result of the States of Deliberation's approval of these

Propositions, and direct the Treasury and Resources Department to bring forward proposals to effect this in their annual Budget Reports.

28. To agree to phase out the relief provided on mortgage interest in respect of principal private residences by 2025, with the phased withdrawal of Mortgage Interest Relief to be achieved by reducing the cap on interest deductible and that the withdrawal should broadly following the schedule provided in Appendix 8d, and direct the Treasury and Resources Department to bring forward proposals to effect this in its annual Budget Reports.

29. To agree to freeze the personal tax allowance provided to those over the age of 64 until such time as the personal tax allowance for those under the age of 65 reaches the same level and thereafter that the personal tax allowance for all tax payers should be the same, and direct the Treasury and Resources Department to bring forward proposals to effect this in its annual Budget Reports.

30. To agree to move towards a system of independent taxation in which all tax payers are treated as individuals, by removing the ability to transfer tax allowances between married couples or couples with children, with each tax payer being assessed on an individual basis, and direct the Treasury and Resources Department to bring forward proposals to effect this in its annual Budget Reports.

31. To agree that, subject to approval of a move towards independent taxation, the allowances available for 'Charge of Child' (as described in paragraph 5.4.45 of that Report) should be phased out by 2025, and direct the Treasury and Resources Department to bring forward proposals to effect this in its annual Budget Reports.

32. To agree that the phased withdrawal of 'Charge of Child' allowances (as described in paragraph 5.4.45 of that Report) should be achieved by reducing the available allowance to reflect the annual increase in the personal allowance each year.

33. To direct the Social Security Department to review the assessment of Social Security contributions to ensure that the treatment of contributors in different contribution classes is equitable; such review to have particular regard to the upper earnings limit on contributions, the rates charged for self-employed and non-employed contributors and the definition of income used in the assessment of contributions for non-employed contributors.

34. To direct that, subject to the implementation of suitable administrative systems and suitable alternative sources of revenue, the Social Security Department further investigates a restructuring of Social Security contributions to apply an allowance for employed and self-employed individuals.

35. To direct the Treasury and Resources Department to revise the grant paid to the Social Insurance Fund to compensate for the revenue lost to the Social Security funds if an allowance is introduced for employed and self-employed individuals.

36. To direct that, as part of the annual Budget Report, the Treasury and Resources Department increases the rates of domestic Tax on Real Property by no more than 7.5% per annum in real terms between 2016 and 2025.

37. To direct the Treasury and Resources Department to review the structure of Document Duty as part of the ongoing budgetary process.

38. To direct the Treasury and Resources Department to report to the States of Deliberation no later than June 2017 with detailed proposals for a broad-based consumption tax, and agree that such should include:

- the rate at which a consumption tax should be levied, which should be no more than 5%;*
- the viability of sharing resources for the administration of any such tax with Jersey;*
- the one-off and annual costs for the States of Guernsey of introducing and administering any such tax;*
- the one-off and annual costs (if any) to island businesses in introducing and administering any such tax, together with any proposals for measures to mitigate such costs;*
- a mechanism to prevent increases in the rate of any such tax without, for example, a 2/3rds parliamentary majority;*

– the measures required to off-set the introduction of any such tax with a reduction in direct taxation through increased personal tax allowances;

– the measures required in the pensions and benefits system to mitigate the impact on groups of people that may be disadvantaged by its introduction, particularly those on low or fixed incomes, including those in retirement; and

– a review of necessary impôt and excise duties to avoid double taxation.

39. To direct the Treasury and Resources Department, having due regard for the need to provide a stable platform, maintain business confidence, support and encourage financial services and to retain an internationally acceptable and competitive tax environment for the islands' businesses, to continue to closely monitor the appropriateness of the corporate tax regime, and to report back to the States should it consider any changes are necessary.

40. To direct the Treasury and Resources Department to have regard to the resource implications arising from the approval of these Propositions when recommending annual revenue allocations for the departments charged with undertaking further investigations.

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

The Deputy Greffier: Billet d'État IV, Article I, Treasury & Resources Department and Social Security Department – Planning a Sustainable Future – the Personal Tax, Pensions and Benefits Review.

1020

The Deputy Bailiff: Before I invite the Minister of the Treasury & Resources Department to open the debate on this matter, the Minister of the Social Security Department and the Minister of the Treasury & Resources Department have requested that they be permitted to sit in adjacent seats rather than either side of the room and, therefore – *(Interjections and laughter)* I believe this is for efficiency of communication, Members, rather than any other reason – I have given permission for Deputy Langlois and Deputy Luxon, accordingly, to swap seats and they will stay in those seats for the duration of the debate on this Billet. *(Interjections)*

1025

Thank you very much. Thank you, Members.

I invite the Minister of the Treasury & Resources Department to open the debate on this Article.

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Deputy Fallaize: Shouldn't they deliver it together in sections? *(Laughter)*

Deputy Brehaut: They are different mandates, presumably, are they not? Yes.

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The Deputy Bailiff: Deputy St Pier.

Deputy St Pier: I know there have been concerns, sir, that Treasury & Resources and Social Security should be working so closely together, and I am sure that the move has caused further concern to some of the Assembly.

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Sir, the challenges we discuss over the next few days are not those, of course, that we will face tomorrow or even next month or next year; they are the challenges that will unreasonably burden our children and our grandchildren if we do not act early.

The so-called post-war baby boom generation, which includes many sat in this room today, have worked hard for our Island and our community. They have helped bring Guernsey stability, success and prosperity over the last 50 years. However, as they reach the end of their working lives, the largest generation of our community is moving to a well-earned retirement. There were 15% more pensioners' in 2014 than five years before.

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The problem is not unique to Guernsey, it is an endemic challenge for all developed economies. Our baby boomers are still, for the most part, healthy, active and engaged, and those

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retiring today can expect, of course, to draw their pension for 20 years or more, and a lucky few will draw a pension for more than 40 years.

1055 However, age, of course, does catch up with us all, and over the next 10 to 20 years the demand on our health and community care services will almost inevitably increase, as they will find themselves needing a little help to manage their daily lives. There were 9% more people receiving long-term care in 2014 than five years before. In 20 to 30 years we may need more than a little help.

1060 The costs of providing our community with the financial and care support it will need will increase. We predict that we will need to increase contributions to the Long-term Care Fund by between 0.6% and 1.9% – the equivalent of between £8 million and £21 million a year – to sustain the current model. Some project that health care costs could double in 30 years and that is the equivalent of an extra £130 million a year in today's money.

1065 At the other end of the scale, the generation which is moving into the workforce is smaller than the generation it is replacing. We have 1.4% fewer employees and 4.4% fewer self-employed than five years ago. The most recent labour market bulletin confirmed a further 0.2% drop in those economically active in the last 12 months. The trend is firmly now down. The number of dependents per 100 workers is expected to rise from 51 now and, of course, it was 48 in 2008 to 83 by the 2060's.

1070 With our tax-based structure to make us unusually reliant on revenue generated from income earned by a working population, this presents us with a real risk. And it is a real risk that our tax revenues will shrink with our working age population just at the time we need more revenues to sustain the needs of a dependent population. With 74% of all revenue coming from Income Tax and Social Security, and 90% of all Income Tax and Social Security coming from those of working age, the narrowness of our tax base is apparent.

1075 When you also remember that 40% of all Income Tax comes from the top 10% of earners, and when you remember that median earnings and therefore Income Tax peaks for earners around the ages of 46 to 55, the risks for our revenue base are both real and obvious.

1080 This leaves us with a huge dilemma. How do we adequately provide the services that our older generation will need in 10, 20 or 30 years, without overburdening the younger members of our society?

Part of the answer, of course, lies outside the scope of this Report. We must do all that we can to facilitate economic growth in Guernsey and, to do that, we must understand the impact of population change on our economy, and develop an appropriate population policy as a result.

1085 The most recent figures show that our population shrank for a second successive year in 2014, so we may need to take more assertive steps simply to achieve the levels of migration consistent with the historic average of the net 200 increase which, of course, underpins the modelling in this Report.

1090 We need to take a much closer look at this issue and understand the potential consequences of both population growth and decline. This needs to be high priority for both the remainder of this term and for the next. However, that cannot, of course, be the whole of the solution. Whatever action we take, we cannot guarantee either economic or population growth and it would be short-sighted to rely on this entirely.

1095 The challenge we face needs to be tackled from more than one direction, if we are to find an effective way to manage it. There are some big questions that we need to answer. We do know that there are long-term upward pressures on Government spending and that much of this pressure sits within our social security system.

Social security contributions sit outside our fiscal rules and, should we extend those rules to capture all Government income and should there be a limit to how big we should allow our public sector to grow and, if so, where is that limit?

1100 The Treasury & Resources and Social Security Boards are proposing a limit of 28% of GDP capturing general revenue, social insurance and fees and charges; and this limit is set at a level which acknowledges the growing expenditure pressure we face but will also require us to show

ongoing policy innovation in service deliver and fiscal discipline if we are to stay within this limit in the longer term. If we are to stay within this limit, how should we manage our long-term spending pressures?

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We have a long-term funding issue for old age pensions and the States has, on three recent occasions, resisted recommendations to increase contributions to ease this problem. Given this resistance and the funding needs we know are likely to come forward as part of the Supported Living and Ageing Well Strategy, we are presenting the States with solutions which will not require an increase in contributions.

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This is pragmatic but it is not pain free; none of the solutions are. The proposed short to medium guideline on the uprating will maintain, or slightly increase, the real value of the pension over coming years, but is less generous than the more informal guideline that has been used in the recent past.

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As a consequence, the value of the pension relative to earnings could well reduce over time. This in turn must be responded to by undertaking work to increase the amount of private pension provision made by Islanders.

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Only 45% of Islanders have any secondary pension provision. This is inadequate if we are to prevent an increasing number of our future pensioners requiring means tested support in their old age. Pension planning is a long-term business and, with that in mind, we are recommending that secondary arrangements really do need to be in place by 2020 so they can actually start accruing benefit as soon as possible.

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The increase in the pension age, from 67 in 2031 to 70 by 2049, serves a dual purpose. It not only improves the funding position of the Guernsey Insurance Fund, but it also presents a partial solution to our declining workforce; albeit one that needs to be tempered by the expectation that, as is already the case, not everyone will choose to, or be able to, continue working up to the pension age. But we do not accept the IMF's view that this change in pension age could, or should, be accelerated.

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Employers will need to play a big part in this and the States, as the largest employer on the Island, will need to lead the way. Supporting longer working lives will require employers and employees alike to have the skills and support they need to allow individuals to remain in the workplace.

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We also need to consider whether we should continue to pay universal benefits, such as Family Allowance. We accept the legitimate concern expressed that more detail is needed on how these benefits should be targeted and how we will protect those most in need. We have agreed to defer a decision on these, if our amendment is approved, until this can be achieved. Nonetheless, the Joint Board believes that we must consider these issues.

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We, quite rightly, pay millions of pounds in benefits to many people who need them, but we also pay millions of pounds of benefits to many people who have no financial need for them and, in many cases, say themselves they have no financial need for them.

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We also continue to support a subsidy on primary care which represents a hangover from a policy whose aim was to reduce the cost of primary care but which has manifestly failed. The Joint Board believes that diversifying our tax base is an essential part of ensuring our community's long-term sustainability.

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In rebalancing our taxes, we consider the reduction in the head line rate of Income Tax but have instead recommended an increase in personal allowances and the introduction for the first time of an allowance to social security contributions. As you will see from the modelling in the Appendices, these are more progressive mechanisms and are more cost effective in helping low and middle income earners.

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Of course, we will need to generate revenue to pay for public services and we need to raise this from another source, and within our current tax system TRP is the obvious lever to use. However, our analysis found that domestic TRP is mildly regressive and so, while the Joint Board recognise that there is some scope for increased TRP, in order to achieve a substantial reduction in our reliance on direct taxes using TRP alone, we would need to go way beyond what the Joint

1155 Board feels would be acceptable. A tenfold increase in TRP is not a realistic option for households and families in Guernsey. This leaves us with a limited number of options.

1160 A consumption tax such as the GST applied in Jersey is, in the view of the Board, the most viable alternative for diversifying the tax base. It offers us an opportunity to make significant increases in personal allowances to make our system overall more progressive, which is counterintuitive to most people's expectations, and to diversify the tax base with a sustainable and stable alternative.

1165 However, there is still much more work to be done before we can make any recommendations to the States to proceed with GST. While we believe from our initial analysis that further consideration of consumption tax is warranted, justified and the right decision, we do not wish to devote any further resources if the States, based on the information we have gathered so far, firmly believe that this is not something that should be studied further.

1170 If you choose to rule out a consumption tax at this stage, there will be consequences; the package will not fall but both the extent and the speed by which we can increase personal tax allowances will need to be reduced, and we will detail this further, should we debate the amendment to be proposed by Deputy Conder. The recommendation to place an allowance on Social Security contributions will also need to be considered in the light of the revenue available to replace the lost income.

1175 I would also like to cover one issue that is not in the Report. As demonstrated by the amendments that have been placed, it is clear that there is a wish from the Assembly to consider more progressive forms of Income Tax. This was something that has been considered by the Joint Board as is detailed in the Appendices. In particular, withdrawal of tax allowances for high earners was discussed by us at some length.

1180 However, on investigation, we found that the interaction between our Income Tax and Social Security systems made this a much more complicated consideration than perhaps it would appear on the surface and, again, we will detail this further when we debate the various amendments in this area.

1185 Sir, in conclusion, what we are debating and planning for today is Guernsey's long-term future. With a four-year electoral cycle, the easiest political option would be to do nothing during our term and leave the challenges to be faced by our successors.

1190 We believe that that would be an abdication of our responsibility and a collective failure by us all to provide leadership to our community. However, we are proposing a long transition – many of the changes we propose will take 10 years to achieve. Others, such as the increased pension age or a transition to a system of independent taxation, could take substantially longer.

1195 With all, there will be further consultation on how best we implement them, but we do owe it to future generations of taxpayers to have these discussions now. (**A Member:** Hear, hear.) To defer the debate is to knowingly store up trouble for those who will sit in our places in 10 or 20 years.

1200 So I ask you to approach this debate, sir, with an open mind and a long focus, to look at Guernsey, not of tomorrow but, of 10, 20 or 30 years hence, and let it not be said of us that we could not see beyond the next election or that we ignored the problems of the future because they were too difficult to deal with today! (**Several Members:** Hear, hear.) (*Applause*)

The Deputy Bailiff: I now invite the Minister of the Social Security Department, Deputy Langlois, to continue opening the Joint Committees Report.

1205 **Deputy Langlois:** Thank you, sir.

I will take my option to speak later in general debate, please.

1205 **The Deputy Bailiff:** Well, Members of the States, you will be aware a number of amendments have been circulated. There is a proposed running order and, therefore, I invite Deputy Fallaize whether he wishes to lay his amendment first.

Amendment:

To delete Propositions 6, 18 and 25 and substitute therefor:

'6. To agree not to incorporate in a States' Resolution an upper or lower limit on aggregate States' income or expenditure in relation to Gross Domestic Product.'

'18. To direct the committee or committees of the States preparing the Supported Living and Ageing Well Strategy to ensure that any proposals made in connection with the Strategy have due regard to the fiscal and social policies and responsibilities of the States.'

'25. To note that the mandate of the Social Welfare Benefits Investigation Committee already requires it "to develop a single, comprehensive social welfare benefits model...which single, comprehensive model shall be capable of fulfilling and balancing the social and fiscal objectives of the States".'

Deputy Fallaize: Thank you, sir.

I apologise in advance because, unusually, I am going to read the speech from an entirely prepared text and I will try to do better later in the week.

1210 Sir, first of all, before I turn to the amendment directly, I think it is fair to say that when – I think it is – 17 amendments are laid to a policy letter, the sponsoring Committees are probably entitled to feel somewhat beleaguered, but I do not think they should.

1215 This is a profound debate on the future of taxes and pensions and benefits in Guernsey and Alderney; and, given the wide diversity of views there obviously are in our community and which are reflected in the States, I think this number of amendments was probably inevitable. Indeed, there have been policy letters with a more narrow focus laid before the States which have had just this sort of number of amendments.

1220 Since I am the proposer of the first amendment and before we dissect the amendments and then the policy letter in detail, can I just say that I am grateful to Treasury & Resources and Social Security, and I appreciate the work that they have done in examining, in some depth, and confronting very long-term issues which, as the Minister for Treasury & Resources has just said, it would have been much easier to have parked and not to have tackled?

1225 Although I do not agree with all of their proposals and I will support at least some of the amendments, I think that the Members of the two Departments, and in particular the two Ministers, have been resilient and quite courageous not only in laying difficult and unpopular Propositions before the States, but also in carrying their arguments to the people of Guernsey and Alderney in recent weeks; and I admire them for that, and I wanted to say that (**A Member:** Hear, hear.) before laying the amendment. (*Applause*)

1230 However, (*Laughter*) unfortunately, the two Committees have got it very badly wrong on Proposition 6, (*Laughter*) which recommends a policy of linking States' income to Gross Domestic Products and setting a cap on that figure of 28%. It is quite plain that the proposed 28% has no foundation in logic or reason.

1235 Now, the sponsoring Committees might say to me if you do not favour 28% why don't you propose a different figure – 25% or 27% or 30% or whatever? My answer to that is that if 28% has been plucked out of the air – and essentially I think it has – any other alternative figure is likely to suffer from the same imprecision and the same flaws. (**A Member:** Hear, hear.)

1240 That, sir, is the whole point of the amendment. I just do not think there is any rational justification to set a cap, or a target, or a policy, or whatever it is, in respect of aggregate States' income expressed as a percentage of GDP. Sir, the arguments in support of this amendment are numerous.

1240 First – Gross Domestic Product is highly uncertain as an index to use for this proposed policy. It is almost always revised up or down, months or even years later. History demonstrates that these revisions can be as great as 7%.

1245 Now, under the policy proposed at Proposition 6, 7% fluctuation in GDP is the equivalent of £35 million of States' income in any one year. £35 million in one year is the margin of error the States would be working with in trying to apply the policy proposed at Proposition 6. Or we will

be left facing a policy of setting a cap on income in one year relating to known GDP figures of perhaps two or three or four years earlier.

1250 The only uncertainty is that the forecasts and the projections will inevitably always be wrong, and Deputy St Pier's Statement this morning rather bears that out – although that was in relation to tax receipts; but, if anything, history demonstrates that GDP calculations are even more susceptible to margins of error.

Second – the policy letter itself demonstrates that a policy of 28% would be built on sand. The two Committees advise, and this is a direct quote:

1255 'Long term pressures on health spending are difficult to model with any degree of accuracy. Although this has been attempted in the past, estimates of the pressure on health care funding as a result of demographic change range from 0% to 6% of GDP.'

Now, today, sir, States' income is around 26% or 26.5 of GDP, and the States are being asked to commit to a policy or a cap of 28%, despite a known unknown of additional health care expenditure of anything between 0% and 6% of GDP. There are other known unknowns. For example, the outcome of the Social Welfare Benefits Investigation Committee and of what has become known as SLAWS.

1260 Twenty-eight per cent also presupposes – and this is made clear in the policy letter as well – that the States will have agreed to cuts in the old age pension uprating policy and to the abolition of universal benefit. Neither of which will be known about at the time the States are being asked to vote on Proposition 6. There is also, and there will remain, considerable uncertainty surrounding population policy and future rates of economic growth. Sir, there are clearly too many variables for 28% to have any credibility as a policy in the long term. Sir, Proposition 6 is Alice in Wonderland politics.

1265 Third – although the two Committees would like the States to make a binding judgement today, or later in the week at least, on what they call the size of Government, the States cannot make an informed judgement in any event. This is revealed in the following significant words in Appendix 4 of the policy letter. This is a direct quote:

1270 'Measures to mitigate expenditure pressures in order to stay within this limit of 28% may have social and economic consequences and need careful consideration.'

1275 Today the States can have no idea what those social and economic consequences will be, and they certainly cannot give them the careful consideration the two Committees advise. There is nothing in the policy letter which allows the States to give careful consideration to the consequences of the policy that is proposed. To me, sir, it is unthinkable that the States should agree to a 28% policy or cap without the faintest idea of the consequences of such a policy.

1280 Fourth – there is the advice from the International Monetary Fund – not a body from which I am normally inclined to quote liberally, although the IMF will no doubt be gratified to know that I agree with them on this occasion. (*Laughter*) Their advice is clear. They say:

'We would like to point out that it is quite unusual to place an upper limit on aggregate Government income, since income is hard to control, at least in the short term.'

1285 Now, in the diplomatic language of these kinds of reports, 'quite unusual' probably means 'a bit mad!' (*Laughter and interjections*) In an IMF Report of a few years ago it was stated:

'A much more common objection to fiscal rules is that by their very nature they invite abuse and are doomed to be ineffective, typically they induce non-transparent behaviour largely through creative accounting practices to circumvent the rules...'

– and sir, we can all think of examples.

1290 I think Italy has a constitutional law which limits government income and expenditure, which I think lasted about five minutes. Gordon Brown's famous golden rules lasted slightly longer than five minutes but not all that much longer and collapsed in their first encounter with the enemy. So not all fiscal rules have a particularly sound reputation.

1295 That same report from the IMF – not the report that the two Committees commissioned but the report they produced a few years ago on fiscal rules, which was entitled Useful Policy Framework or Unnecessary Ornament... In that they stated:

'A source of scepticism about rules is that a Government can commit credibly to fiscal discipline without any permanent rules. Governments with a strong reputation of fiscal prudence do not need to be constrained by rules.'

1300 Sir, Members should ask today: "have the States proved over the years to be so fiscally imprudent and irresponsible as to require the imposition of this 28% policy or rule in the absence of any useful information on the social and economic consequences of such a rule?". The answer, quite obviously, is no. To quote from the Committee's policy letter again:

'In the 1990's income was typically between 27% and 28% of GDP. In the 2000's this increased to between 28% and 29%. Since 2010 revenues have averaged just less than 27% of GDP.'

1305 There is no evidence at all to suggest that the imposition of the sort of aggregate income policy or rule proposed in Proposition 6 would contribute anything useful to ongoing and thus far, largely successful efforts to restrain public expenditure.

Fifth – and I think this is an important point – a States' Resolution is a States' Resolution, but, as HM Procurer is always keen to remind me, States' Resolutions do not perhaps quite have the force of law.

1310 We are asked here to make a very long-term commitment to a sort of golden rule in a States' Resolution, but the States – and particularly this States – seem not to be able to stick to Resolutions for longer than about six months; and for the Committees to maintain, as they do in their policy letter, that this would put some kind of lock on the States, that it would provide assurance to the public in the future that aggregate income is not and is never going to exceed 1315 28%, is quite obviously nonsense. What they mean is they want the States to put in place a Resolution of 28% which will apply until the States make a different Resolution which contains a different figure other than 28%.

1320 Sixth – since 2007 there has been a policy which has inevitably restrained tax revenue collected, and that is the States' policy of no real terms growth in revenue expenditure. There may be a case for incorporating Social Security expenditure in that policy, or a similar policy, but what is important about that existing policy, in the context of Proposition 6, is that if the proposed cap of 28% were ever to be met it would almost certainly necessitate breaking the existing no real terms growth expenditure policy; and yet this new policy or cap is proposed in the absence of any reference to changing the existing policy of no real terms growth and expenditure.

1325 It is hard to see why this 28% policy would be supported either by Members with a more liberal or a more conservative outlook on tax and public spending. Members who consider themselves to be in the latter group must realise that, despite the protestations to the contrary in the policy letter, 28% would inevitably become a target. (**A Member:** Hear, hear.) There would suddenly be, confirmed in States' policy, headroom for additional income and, by extension, 1330 additional expenditure of nearly £40 million a year.

1335 Sir, this is a bad policy for Members to the left of centre and it is a bad policy for Members to the right of centre. It is, at best, a cosmetic sweetener to those who fear that the introduction of a broad based consumption tax would in future become a licence for fiscal indiscipline. But it is far from harmless; at worst, it will set up future States to almost certain failure by tying them to an entirely arbitrary policy, which is clearly regarded as highly dubious, even by the Committee's own external advisors, and it is a policy which the Committees themselves admit would have, as yet, unidentified social and economic consequences.

Sir, in these circumstances it would be folly not to amend Proposition 6.
Thank you, sir.

1340

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

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

1345

The Deputy Bailiff: Thank you very much.
Deputy Langlois, are you going to be very brief?

Deputy Langlois: I am not going to be very brief, sir.

1350

The Deputy Bailiff: I will call Deputy Luxon then.

Deputy Luxon: Sir, thank you.

1355

During this debate I am going to have the dilemma of deciding whether to talk as a Deputy, a HSSD Minister or a Policy Council Member. On this particular amendment my dilemma is that, as a Deputy, I naturally tend towards financial control and fiscal prudence; as HSSD Minister, I have the risk of increasing Health and Social Care costs going forward; and, as a Member of the Policy Council, I want to be supportive of this policy paper.

1360

Sir, so as not to support this amendment, can the Ministers clarify for me how, if Propositions 6, 18 and 25 are approved and this amendment fails, would T&R deal with an unavoidable need to exceed the 28% income cap of GDP, for instance, because of increasing health care cost requirements?

I would appreciate clarity on that when the Ministers sum up.

Thank you.

1365

The Deputy Bailiff: Well, Members of the States, I think it is wise now to adjourn for lunch. We will commence with Deputy Langlois after lunch.

*The Assembly adjourned at 12:29 p.m.
and resumed its sitting at 2.30 p.m.*

Billet d'État IV

TREASURY & RESOURCES DEPARTMENT AND SOCIAL SECURITY DEPARTMENT

Planning a Sustainable Future – The Personal Tax, Pensions and Benefits Review – Debate continued

1370

The Deputy Greffier: Billet IV, Article I. Continuation of debate on amendment 1. (*Interjection*)

The Deputy Bailiff: Yes, if you want to remove your jackets then you can.
Deputy Langlois.

Deputy Langlois: Thank you, sir.

1375 Sir, as we set off on this fairly lengthy – probably – debate, there are few occasions in this Assembly when you get a real little buzz and a thrill from things that are said and, to be honest, as soon as I saw that Deputy Fallaize was proposing the first amendment I thought, ‘Well, that won’t be one of those!’ – but there we are! (*Laughter*)

1380 Then I find myself, immediately after lunch, rising to thank him sincerely for the comments he made. It has been a long haul; it has been hard work. I think throughout this we must also recognise the work done by all the Board Members – two full Boards here; some non-States’ Members as well – who have made major contributions, and it has been hard to get here.

1385 So when Deputy Fallaize applied his full power of exaggeration and hyperbole (*Laughter*) and fanciful consequences that might result from this august body making a wrong decision – it will make a good *Hansard* read, sir; there are plenty of good words in there – I was really delighted. I thought, ‘Well, we are going somewhere. This week is going to be better than I thought!’ (*Laughter*)

1390 However – in the words of Deputy Fallaize, however – let us revisit what this particular amendment is all about. The fiscal framework imposes criteria for our general revenue budget. It is not something we regularly return to in this Assembly. I am quite sure it is something that is right at the centre of a lot of the financial planning that goes on in a number of Departments. But, Social Security contributions, and fees and charges, have largely always been outside of that framework; and one of the origins of this project was to say, ‘Actually, for the sake of the Island, there has got to be a little bit more of a holistic view of all of this.’

1395 In our view, our framework should cover all Government income and expenditure. The SSD and general revenue systems are linked and, while I speak as Social Security Minister with the very strong mandate of what we are there to do, we cannot allow the Social Security system, or fees and charges from many other Departments, to become a convenient way to circumvent fiscal rules. It really is a recipe for disaster.

1400 Social Security funds, at the moment, are an essential buffer – a way of flattening out the short-term rises and falls – which, in various ways, Deputy Fallaize described in his proposal speech – the short-to-medium-term rises and falls that can happen; and if you have got a buffer fund then in the longer-term the trend comes out right.

1405 But, sir, our population and our businesses deserve the assurance that we recognise that there needs to be a limit on taxation and Government spending in all forms. We need, in this Assembly today, to decide that, for the time being, the limit is a figure. I will return to the reason for the figure later.

1410 Now, that limit should be set at a level which both recognises the expenditure pressures that we face, or might face, but also still requires us to keep a tight control of expenditure in the short term.

1415 We are recommending a limit of 28%. The rationale for that is in the Report. Yes, it is a judgement call. There is nothing wrong with judgement calls in relation to financial decisions. We have to make them from time to time. If we all knew precisely what was going to happen financially in the next 10 years we really would be wasting our time over the next few days. There has got to be a judgement call, and all the evidence that we had, in terms of recent performance, in terms of projections of numbers, of numbers of people and draw on the economy indicate that at 28% that should be a tenable limit – a tenable cap.

1420 It has been pointed out before, it is an obvious question. It is about 1.5% ahead of where we are now and the reasons for that increase, which have been quite difficult to explain in public meetings because immediately people come back and say, ‘Ah, so you are going to spend more. You are looking for new services and just splashing out money.’ No, the reasons are the unavoidable – the known knowns of the numbers, in terms of the future demand, particularly on pensions.

1425 Now, of course, politically, there are some, sir, who think they should be higher, if it were higher we could extend the services we offer, we could bring more into States’ control, we could run ourselves more like a controlled economy than we currently do. There are some, including

some Members of our Boards, who have come together to compromise on this 28%, who think it should be significantly lower and that the Government is already too big and we should be looking to get more out into the private sector.

1430 We have offered this as a compromise, and I was delighted with another phrase that was used this morning: it was said that people on the left would think this was wrong and it was said that people on the right would think this is wrong. And I am so delighted because, by coincidence, I am sitting in this chair here today where Deputy Charles Parkinson, then as Treasury Minister, said:

'I have just presented a Budget, and everybody stood up and said it is wrong, it is the wrong thing, so I must have it about right.'

1435 That is what this sort of compromise is about. There are pressures, there are stiles at both ends of the scale and we have got to come up with this middle ground.

We also need to accept that losing this amendment today, going along with Deputy Fallaize's proposals, also has consequences. It might actually seem like quite an easy option because it means that, when we get to analysing the needs and we find we need a bit more or we could do with a bit less, the States will make a wise decision then and they will find the right way with their blank cheque, their whole book full of blank cheques.

1440 If we lose this amendment, if the States decide to open everything up and abandon all limits, I think the implicit requirement for ongoing co-ordination between T&R and SSD more or less disappears. I think that the mandate – we know the mandates will be changing and so on but, nevertheless, the mandate of whatever Social Security function there will be, and whatever Treasury function there will be under any new scheme, will be such that there will be the temptation to cut it adrift again, say, 'Well, we collect our money in our way so we can do what we like with it', and that is a recipe for unlimited spending if we are not careful.

1450 We could lose the overall discipline we place on ourselves and a future States to work within an established framework. What we have got at the moment – the no increase in real terms – is not perfect. It comes up in this Assembly on a regular basis; it gets questioned and exceptions are made. It does not mean to say it is wrong to have it there. Neither does it mean to say it can go away immediately, although it was put in for another reason. It was put in during clearing the deficit period.

1455 This limit will offer the public and businesses reassurance, and that is very important. I think if we have all been listening, I know there has been an awful lot of play in the last few weeks about, 'We hope you are listening.' Some comment has been made that they did not think we were in sometimes polite, and sometimes less polite, terms but nevertheless it is not only the two Boards that are bringing this that should be listening; I hope every Member has listened to public comment over the last month. It has been pretty vocal, pretty extensive and I think one of the biggest concerns that has come out is they say, 'Can we trust this States or any future States in terms of limiting their size?' and we should listen to that, we should respond to it.

1460 So, sir, there is a danger that this is leaving the back door open, leaving a route where it is possible to circumvent existing rules of general expenditure, simply by applying increase in revenue through the social insurance system, when increasing general revenue income or decreases might be more appropriate.

1465 We may hear later in this debate, in other amendments, about the dangers of leaving future Assemblies to extend GST rates. Now, for some reason, that is seen as an absolutely enormous danger that we might hear about from other people, and yet we are about to do away with fiscal discipline that says, 'Well, at least if there is a cap you are going to have a darn good reason, and you are going to have to get real endorsement from an Assembly to go beyond that cap whether it is short term or more long term.' Extending the rules to capture the SSD system will ensure that the two systems must be considered in parallel, and will reduce the opportunity for future States to circumvent the fiscal rules.

1475 It should also capture fees and charges. That is something that we have been remarkably poor at, I think, in this term. We have had quite a lot of debates about them, and they have sort of

dribbled through in one area, and they have been thrown out in other areas and so, but it has not been done against a real solid, disciplined background of the big picture.

1480 So, sir, this truly is a commitment that this Assembly should make for our population. It is the only thing we can do, sensibly, to give them the reassurance they need that this is just the start of a bigger, bigger, bigger more expensive public sector, which will have to be paid for through various forms of taxation.

The Deputy Bailiff: Deputy Hadley.

1485

Deputy Hadley: Mr Deputy Bailiff, this Assembly has generally demonstrated that it is fiscally prudent, and has no wish for expenditure to exceed income. It therefore seems to me to fly in the face of common sense to impose a rule which would mean that a future States faced with high expenditure would not be allowed to increase its income to balance the books.

1490

Now, the two big spending Departments are Education and Health & Social Services. Excellence in education – big ticket item – is what many people want and it will cost a lot of money. If the money is not provided we can produce an inferior service, we can have poor buildings and fewer teachers. We have a choice and I certainly would not advocate an inferior education service, but there is a choice.

1495

My focus has always been on health and I think I am not alone. In the UK the Health Service does not live up to the expectations of the electorate, so health is the main issue for the next few weeks. On Guernsey we are proud of our Health Service, but there are hidden problems which will soon cost money to put right.

1500

The Minister today has highlighted some important cost items and if you do the sums you will realise he has identified the need to spend around about another £8 million now. Expenditure on health in 2010 was £107 million and in 2014 our expenditure was £111 million.

1505

Now, that looks like a small increase. However, if you take inflation into account the figure of £107 million equates to £126 million in 2014, and so after inflation HSSD had its income cut by around £15 million. This has been damaging to the Department so that there is now a shortage of nurses... estimated that we need another 73. There is probably a similar picture with doctors and it may be that we need as many as 20 more doctors to meet UK standards.

1510

I should say at this point that I do disagree with Deputy Luxon when he said in his extended Statement that the recent report on retention and recruitment does not mean that we have to go out and immediately recruit 73 nurses. I am afraid it does mean exactly that, if we want to have safe staffing levels, because the rationale behind it was to use a formula developed by the UK's university medical schools to tell us what safe staffing levels are.

1515

Few people have grasped the reality that we pay our nurses too little, and eventually the penny will drop and we will be forced to increase their pay in order to recruit in a market where there are serious shortages which are getting steadily worse year by year.

1520

Now, I frequently criticise the lack of resources for Social Services and Children's Services. The new Chief Officer is an expert in this field and she has brought in a temporary director of Children's Services who is demanding considerable and costly changes to make our service fit-for-purpose, as the Minister identified earlier today.

1525

Radiology equipment has a life of seven years approximately. Now all of the PEH radiology equipment is that old, it has all reached the end of its expected life. Fluoroscopy equipment which broke down last June was 13 years old and has still not been replaced.

Deputy St Pier: Sir, point of order.

1525

The Deputy Bailiff: Deputy St Pier, point of order.

Deputy St Pier: Sir, we do seem to be somewhat away from the amendment here! *(Laughter)*

1530 **Deputy Hadley:** Mr Deputy Bailiff, sir, I think that if we are going to discuss the issue of whether there is a cap on expenditure, one has to demonstrate (*Interjections*) where some of the cost pressures are going to come from.

1535 **The Deputy Bailiff:** Yes, I agree with you, Deputy Hadley, but you do need to make sure that the context is put in place throughout your speech.

Deputy Hadley: Now, the cost of flying people off-Island has cost HSSD tens of thousands of pounds. I would like to tell you how much but the finance department has not got time to answer my questions.

1540 Now, in the UK it is estimated that the NHS will need an additional £8 billion each year in future. Because we are a thousandth of the size of the United Kingdom, that equates to another £8 million a year here. That is what the demographic time bomb means for Health.

1545 Over 80% of the care delivered in Hospital is to old people. The number of older people is increasing and the number of old people with more than one illness is increasing, and our Chief Officer recently told us that it costs six times as much to treat an old person with two problems rather than one.

A recent study in Newcastle showed that 75% of patients over the age of 85 had four or more age related conditions. At the inception of the NHS in the UK only half of the population lived beyond 65 now 86% do – many of which sit in this Assembly.

1550 I suppose you will all have read in *The Guardian* this morning – (*Laughter and interjections*) except Deputy Trott who has never heard of it... (*Laughter*)

Deputy Perrot: Point of order, sir.

1555 **The Deputy Bailiff:** Point of order, Deputy Perrot.

Deputy Perrot: In a similar vein to the last one, it is all very well saying the Department might need money but this seems to be something of an essay on the difficulties which the HSSD has got and it is veering widely off the point whereby we are trying to set a limit on Government income and on the size of Government.

1560 **The Deputy Bailiff:** Thank you, Deputy Perrot.

I will say the same again, Deputy Hadley, but I will add this time whatever you say now you will not be able to say in any subsequent debate because I am going to treat the repetition one as across the *piste*, in relation to this Article.

1565 **Deputy Hadley:** Thank you, Mr Deputy Bailiff.

1570 It said in *The Guardian* today that cancer rates in the United Kingdom... that deaths from cancer were far greater than in Europe because they lagged so far behind in the services delivered. Now we lag behind the United Kingdom. I think that Health has no choice but to take money for its services because the population will never allow their friends and relatives to be denied treatment. If the beds and nurses and doctors are not here on-Island they will be flown off-Island at great expense – that is assuming there is anywhere to fly them to, or you will accept that elderly relatives will not be treated and will die.

1575 The issues regarding HSSD and finance today make it very clear that we will have to find an extra £20 million each year to keep the Department providing the services it currently provides. It is not good enough to say enough is enough because it is not. The money has to be found and, I accept, in a way that will not damage the economy; and we cannot be constrained by a rule which is set there to be broken, when we have to fund a service which is essential.

1580 Thank you, Mr Bailiff.

The Deputy Bailiff: Deputy Gollop.

Deputy Gollop: Thank you, sir.

1585 I rise actually not to support the amendment but to echo, in a way, what Deputy Langlois has said. I think he made a very good case, in a calm and measured way, for the process that we have all collectively undertaken.

1590 Not surprisingly, I was one of the gang of 10 – or actually it was 12 or 13 Members altogether – who was more interested in not constraining the size of Government. Some of my colleagues wanted to go, as Sir Bruce Forsythe might have noted, 'Lower, lower!' but we came to agree on 28%. The price was right in that! (*Laughter*) It was perhaps £25 million, £38 million more than where we were.

1595 Now, Deputy Trott laughs, but actually I think, particularly when he became Treasury & Resources Minister, he inculcated both, on the one hand, a concept of redistributionism where possible, but also fiscal restraint; and probably we made more cuts... not cuts but restrained the growth of expenditure in his era than since – although Deputy St Pier has recently been working along the same lines.

1600 We had a Statement just this morning of 3% or maybe even 6% growth – very encouraging shoots of recovery in our economy. But this is not necessarily the right time to take the brakes off, because that would stifle business initiative and solidarity. Some of us follow the world of twitter and one of the oracles of twitter, of which we can be camp followers, has very much said that this Proposition is about regaining faith in Government, as Deputy Langlois pointed out, and I think that is an important message to put across.

1605 I think if we remove the cap altogether we will be sending out the wrong message. I suspect that the right figure for Guernsey medium to long term is probably more like 33% to 35%, but to get there we would have to see a significant change in our economy. But the amendment has no limits. We can see where we go with no limits – Britain in the Gordon Brown era, Greece, wherever. We have to keep to some limits. This actually allows for some growth over the next few years, but if it is needed, the last thing we want to do is public expenditure for the sake of it, or expenditure that just rewards people, or positions that do not need to be filled.

1610 In that sense I have got full solidarity with Deputy Hadley and the funding issues maybe HSSD find. But what this does is it sets a mark in the ground, not even a target; it sets a constraint, a seat belt, and this still gives us the opportunity to go back to where we were a decade ago, but of course, as has already been pointed out to me earlier, if we grow as an economy this figure will grow at the same time, so we have every incentive to encourage entrepreneurs and business growth, because that would 26.5% or 28% of a much bigger cake. We want the cake to expand as well as social welfare and I think, in the light of that, to go for the Fallaize amendment would be an opportunity missed.

1620 Had the amendment stated that it believed that we could look within a target of say 25% to 30% over the next decade, or wanted to go higher, I would be more tempted to be a maverick and back it, but I think the way we have worked to achieve a marker in the sand, so as to satisfy people across the political spectrum, is the right way to go to support the main Report.

The Deputy Bailiff: Deputy Kuttelwascher, to be followed by Deputy Le Clerc.

1625 **Deputy Kuttelwascher:** Thank you, sir.

I was very interested in Deputy Gollop's comments, following on from Deputy Hadley, because Deputy Hadley and Deputy Fallaize make a fundamental mistake, they think this is some sort of cap on spending, but that would only be the case if we had no economic growth.

1630 I have just done some numbers. First of all, if we had a cap of 28% today we have a headroom, if you like, of somewhere around £30 million extra if there was a severe need to spend that sort of money, because we spend roughly 26.5% of GDP at the moment. So Deputy Hadley recently came

to me and told me how much he thought HSSD would need *now* to do everything he thinks needs to be done and it would be well within the current cap.

1635 Now, there is an assumption of a 1.5% growth, really if you like, over the next 20 years or so in the Report, and nobody knows what it will be, but simple calculations say if you had 1.5% growth for 20 years that would be an increase of about just under 35% of our GDP. If you take that as £2 billion, that is a £700 million increase in GDP in 20 years' time. If you then take 28% of that, it means we would have an extra £196 million within the cap.

1640 Now, that more than covers this Report's forecast of, possibly, a maximum of an extra £130 million being required for Health. There is still all that left over. So this is not a severe restraint, but I think it is important. The main importance of this is that we have to maintain the sentiment and confidence of the rest of the world in Guernsey as an economy in which they can invest and come here and work.

1645 We do not want to go down the route where the UK has found itself where, depending what you count, they have got something like £2 trillion national debt. You would not believe how much they pay a day in interest to pay off on their bonds. Therefore, this is a fiscal prudence, which I think is essential, to focus business and development in Guernsey. I am not for the blank cheque approach – definitely not – and you and I would not conduct our own affairs generally, although some people might, on that basis.

1650 The most significant message of Proposition 6 is it now includes Social Security spending, and fees and charges. Now, those of you who remember the Enough is Enough Campaign, there were three issues there and that was one of them. People were moaning not only about how much Government spent, but they think they are fudging it by increasing fees and charges, and how many people in this Assembly have said before, we need to take account of fees and charges as
1655 the overall burden on everybody on this Island. Proposition 6 does just that. Therefore, it should not be amended, it should be supported.

I thought Deputy Fallaize shot himself in the foot a bit when he talked about the legal status of Propositions, and it refers basically to what was said by the then HM Comptroller about the legal status of Propositions, and it was suggested they were just an internal bureaucracy, and I think
1660 those were the words that we used.

You cannot go to jail for breaking a Resolution, you will not get fined for breaking a Resolution. So to say having these Propositions, like Proposition 6, is all a bit of a waste of time because it can be broken anyhow. The same applies to the alternative Propositions. In fact the same applies to every Proposition that comes before this Assembly so why bother with any of it?
1665 *(Laughter and interjections)* I mean think about it. The great thing is that most of us, most of the time, will try and play cricket. Well, playing cricket is playing by the rules, a bit of lateral thinking. Therefore, it is the only way we can maintain some semblance of integrity in this Assembly. As for that comment about lack of any legal status, I think it is a complete red herring.

1670 Finally, I just want to say there is a message to the outside world here, and it is very, very important. We have suffered an amazing downturn in what I call the Open Market economy. It is not just the number of sales, but it is the drop in the prices and the associated lack of work for the building trade, and that was all done because of a couple of statements that were made in the last term, which frightened people – it spooked them. If the outside world thought we were going to take any sort of brake off our fiscal discipline I think you would not want to know what is going to
1675 happen, and therefore we should not do it.

So please reject this amendment.

Thank you, sir.

The Deputy Bailiff: Deputy Le Clerc.

1680

Deputy Le Clerc: Thank you, sir.

I am hoping that my voice will hold out. It is at times like this that I wish I had studied a bit harder on my economics model on GDP many, many years ago because it is quite complex.

1685 I do have a little bit of a dilemma because I am a Board Member of HSSD, and we have heard from Deputy Luxon and from Deputy Hadley about the spending pressures of the Department. But I just want to put it into context that we know that we have got a lot of work to do, and some of that is short-term pressure, but we also know that we have got some longer-terms plans where we will be doing things differently. So although, yes, there is some spending, I think there are ways that we know that we can work smarter to improve the spending and keep it under control.

1690 But we are here and now, and I believe, along with other Members of the Personal Tax and Benefit Review Working Group and many members of the public – and I think we must remember that – that it is important to set ourselves some limits on what we should be asking the Island to pay for its services. We already have a fiscal framework which we have set ourselves a limit on taxation within general revenue of 21% of GDP. My concern would be that without any upper limits on income, our spending would once again increase significantly.

1695 Deputy Fallaize has said that there was no logical reason why the cap was set at 28%. My understanding is that this figure has been based on historic norms, and it is in the Report, and it says that in the past it has been in the region of 27% to 29% prior to 2010, and since 2010 revenues have averaged just less than 27% of GDP. I think that is on page 31 of one of the appendices.

1700 It is our duty to ensure expenditure is controlled and public funds used efficiently, and revenue is sustainable. We have acknowledged that some increases may be necessary in the longer term, and therefore this target will be kept under review, as a prudent Government should continue to assess and review.

1705 I am not quite sure why Propositions 18 and 25 have been included here, perhaps Deputy Fallaize or Deputy Green could explain, but I read it as them not trusting SWBIC or SLAWS to discharge their social responsibility, so I just want some clarification on that, because I am on both of those Committees and I will ensure that I fulfil my social responsibilities.

1710 I think the other thing that we need to look at as well is that we have got other initiatives: Initiatives such as the Chief Executive Officer's Service Guernsey and the recruitment of the Chief Information Officer. These are the next steps of the transformation and will help us achieve savings in the longer term.

Thank you.

1715 **The Deputy Bailiff:** Deputy De Lisle, to be followed by Deputy Dorey.

Deputy De Lisle: Sir, I am pleased to support this amendment, because I feel that the States are already spending, and their spending is too big, and Government is already inflated as far as I am concerned, and I think we have to take measures to restrain Government spending.

1720 People want to see a cut in States' expenditure – austerity is the direction forward – to reflect measures taken by the private sector in recent years. Government seems to be the growth industry at the current time.

1725 So this proposal in front of us gives opportunity for expansion in spending, as stated by Deputy Fallaize in his early speech in this debate and Deputy Allister Langlois spoke of 1.5% beyond where we are at this time with these proposals.

Deputy Langlois: Point of clarification, sir.

The Deputy Bailiff: Point of clarification, Deputy Langlois.

1730

Deputy Langlois: 1.5% is the difference between 26.5% which is where we are now and the 28% ultimate cap being put in the Proposition.

1735 **Deputy De Lisle:** I understand that and that is growth as far as I am concerned, and this Report in its executive summary makes the point that the Report does not seek to raise further income through taxation. The fact is that the measures in here will be doing just that.

A limit of 28% of GDP will not, in my view, require the States to manage and restrain expenditure pressures, and also I am quite disappointed actually in the section in 297, page 297 with respect to transformation, and the movement forward with respect to this.

1740 The section is very thin, in fact, to non-existent, on measures of expenditure restraint through the continuation of the second phase, if you like, of transformation that has been suggested. We have got nothing in here at all. I realise that as a result of my earlier question we are going to get something by the summer, but that should, in reality, be part and parcel of this package, restraint, cutbacks – how are we going to initiate and where are we going to cut? – because that is an important part of this document, as I see it.

1745 So I am pleased to support the amendment and I look to the Government to reflect what is going on in the economy at the current time and particularly in the business sector, and to look at, very carefully, the future in terms of long-term expenditure and the amount of money spent on Government programmes in the future.

1750

The Deputy Bailiff: Deputy Dorey, to be followed by Deputy Bebb.

Deputy Dorey: Thank you, Mr Deputy Bailiff.

1755 I will be supporting this amendment. I fully understand the purpose of the proposed cap on income. I think we have seen a significant growth in fees and charges over recent years, and that has largely been from the FTP programme, which has caused Departments to look at their income and increase them. But, for example, we are going to have waste charged through Parish rates, which we know are going to increase significantly, but that will not be part of this cap because they will be outside of it because that is parochial expenditure.

1760 My main point I would like to make is about GDP and how difficult it is to predict it or even estimate it. We currently take three years to estimate GDP. I think Deputy Fallaize asked a question in August 2014, and they produced a table of the adjustments that had been made after it was first published: 2003 -3.5%; 2006 -4.1%; 2007 +6.5%; 2008 +6.7%; 2011 +7.3%; 2012 +5.4%. (Interjection) These are very significant changes from what was originally estimated. So that there is a range of 11.4% from the plus to the minus figure.

1765 Those adjustments were done on the estimated figure. That figure was only estimated after the year end. If we are going to look at a budget, where we would be bringing the budget before that year, we then have to look at a prediction.

1770 The last prediction I could see for GDP was done in the Guernsey Economic Overview produced by the Statistical Unit and that was done on 18th September 2013. They said that their prediction there was a range of 6% in their prediction. That was a pre-year one and in post-year when they have estimated it, it varies by up to over 11%. So GDP is just not sufficiently well known at the time before a year starts in a budget. So I think it is very poor to have such a test in a budget when the number predicted can vary by such a large amount.

1775 There is another good reason, if you go back – and hopefully we can go back to these times – where we collected more money than we spent from social security contributions. That is how we built up our very significant fund that we have now, which is helping us with the baby boom and the reduction in the working population and the increase in pensioners. But this limit could easily stop us raising income that we were not going to spend but were going to put into a fund for the future.

1780

I think that would be a poor choice, if that had been made in the past. I do not want that limit on us in the future. If you go back in history, we are told that from 2003 to 2007 the average income was 28.2%. So the historic norm in those years was above this income limit and that is probably why some of the money was actually helping to build up our Social Insurance Fund.

1785 Also what would happen if you had a downturn in the economy, when perhaps GDP would be down, and that is the time when you need the income because of unemployment and Supplementary Benefit payments – we might have to restrict our income when we need it?

Looking at the predictions, if you look in the Appendices there is a table A.4.4, I am sure people will not be able to get there because there are no page numbers! I find it unbelievable that you can produce such a large Appendix with no page numbers. (*Laughter*) It makes it impossible for us to refer to them, and it is not good practice, it really is not! (**A Member:** Hear, hear.)

1790 Anyway, in there they predict that – and it is the table called Outline of Possible Annual Expenditure Pressures; if you want it is in appendix 4... It shows that there is £33 million worth of expenditure pressures. Well, we have just heard it said that there is £30 million difference between the current expenditure and also the 28%, but that could be all used up by that possible outline of the expenditure pressures which there are within the system. So again I think it is a poor choice of a limit.

So I would conclude by saying that – if you are going to put a cap on income, this is not the right number to use; you need to find a more robust number that will not vary by such a degree.

1800 So I urge you then to support this amendment and reject the proposal of the 28% cap. Thank you.

The Deputy Bailiff: Deputy Bebb.

1805 **Deputy Bebb:** Thank you, Monsieur le Député Bailli.

My fundamental objection to the Proposition as it stands – and therefore why I will be supporting this amendment – is to do with that term of ‘cap’.

1810 There was a time a few years ago that I worked in the Netherlands and by agreement with the workers’ council – we will not go into the details of that – but we agreed to a cap on the number of hours that workers would work every week, and that word ‘cap’ was very important because they felt that they did not want to exceed that cap, and the cap soon became what I know as management as a target because, quite frankly, I wanted to utilise the time up to that target figure.

1815 That is exactly what happens with caps. We have heard at the beginning of that conversation in this very debate. Deputy Kuttelwascher pointed out that if this cap were in place today it allows around a £30 million increase in expenditure. Therefore, Deputy Luxon, having made the Statement he did this morning, would be able to employ those 30 nurses, or 70 nurses, immediately because it is within the cap. Of course, it is nonsense.

1820 The other problem with a cap – if Deputy Gollop could be listening rather than talking across me – (*Interjection*) is, as we see with regard to this, that it becomes the target, as Deputy Kuttelwascher pointed out. (*Interjection*) The possibility of increasing expenditure and by stating that the only way of containing it is by having a cap, is false, and we all know from the efforts that we have made recently to curtail expenditure, to actually keep a lid on expenditure that there has been no cap in place, and it has not been necessary for us to exercise financial prudence, and therefore this idea of a cap is false. It will soon become a target.

1825 Now, further to that, I am sorry Deputy Luxon and those Members of HSSD, but I think the example is best given by an example of HSSD in relation to the very same problem. During this term we will probably be having a discussion with regards to the future model of health care, especially secondary health care, which may well require us to reconsider how the services in relation to the MSG are delivered.

1830 Now, one real possibility is that this Assembly, or the next Assembly, will support a far greater increase in private medical care. There is a very large amount of the population – far larger than in other jurisdictions – in Guernsey who are in receipt, as a result of their employment, of private medical insurance, and encouragement to use that private medical insurance could well become something that we decide as a matter of policy.

1835

A doubling of the private income to HSSD may well be possible. That then falls outside the cap, and therefore do we think that we therefore remove that cost from the economy, and that we can therefore increase Government expenditure to go back up to that cap? Whereas the burden to the actual individual will remain the same and that is exactly the problem.

1840 We could choose, in future, to move certain parts of Government expenditure outside of the Government and then, as a result of the cap, increase Government expenditure, but the burden of cost to the individual member of Guernsey society would increase drastically.

I have always been in favour of increased private services being offered, and I think that increasing the private medical services in Guernsey is something that we should pursue, vigorously, because we have a great advantage over neighbouring jurisdictions by not having 20%
1845 levy on any private health care that is delivered.

It could potentially be a great source of future revenue income to the States. *But*, it could also result in far lower Government expenditure and I do not want to see fiscal nonsense then being played within relation to this cap, that we therefore can justify a large increase within other areas
1850 of Government.

The pressures are great today – the pressures have been great for many years – but, as Deputy St Pier said himself this morning, we were successful last year – much better than the Budget – in constraining expenditure, drawing far less on the Contingency Reserve than was budgeted for. Was there a cap in place in order to achieve that? No. There is no need for a cap in order to
1855 constrain expenditure, but a cap would soon become a target.

For those people who are also thinking that a cap becomes some means of containing expenditure, let us consider that prospect that this Government at a future date will need to revise the cap, as I believe one of the Members said earlier, that it would be fiscally prudent for any future Government to reconsider the cap.

1860 Do we think that moving that cap from 28% up to 35% would not come with big headlines and huge warnings? Do we not think that we would be placing a huge problem on future generations if we need to change the cap, because our expenditure is such?

If our economy comes to a position where we face an actual recession, it is quite evident that Government expenditure will increase as a proportion of GDP because if we have an increase within Social Security's payments, then evidently it will become far greater. What will happen if we
1865 breach this figure? What do we think will happen?

The only thing that will happen is that the States will be brought into disrepute at a time of financial difficulty, for the simple reason of providing Supplementary Benefit or Unemployment Allowance to those people who are unemployed. I firmly believe that there is an opportunity for
1870 us to reduce Government expenditure, but that does not mean that we reduce expenditure for the residents of Guernsey.

Therefore, I think that this cap, well-meaning as it may be, is financially folly and therefore, Members, I would urge you to vote for the amendment, because this number is the wrong number. Fiscal prudence is possible without these caps that soon become targets.

1875 Thank you.

The Deputy Bailiff: Deputy Green.

Deputy Green: Sir, thank you.

1880 Obviously, I am seconding this amendment and supporting it. It is a strange amendment to be starting on when Deputy Fallaize and myself have the support of both Deputy David De Lisle and Deputy Bebb in a debate like this. This does not happen very often, to say the least! (*Interjections and laughter*)

I will be fairly brief, sir. Much of the ground that I was going to cover has already been covered,
1885 but I will try and be brief. Clearly, we have an income level already of 26.5% or so of GDP. The policy letter seeks to impose what I consider to be an artificial and arbitrary limit on Government income of 28% of GDP in the near future.

1890 Now, Deputy Fallaize made the good point about the view of the IMF on this, and it is actually quite unusual, potentially without any kind of precedent, to opt for an upper limit on aggregate
1895 Government income, for fairly obvious reasons, because income is much more difficult to control in the short run. Clearly income will go up and down, and clearly it is variable, and clearly more variable than Government spending, but actually I take the view that I would probably have been a lot more sympathetic to an upper limit on Government's expenditure rather than income. Of course, that is not what the Joint Boards are proposing. The IMF also made the point that it would make more sense to apply the limit directly to all aggregate public expenditure, including Social Security, and I think that is what I would like to see, but not necessarily as a percentage of GDP.

1900 So we have to go on what is actually advocated in the policy letter and that is why I am supporting this amendment, because I think the only argument we can really say for Proposition 6, as unamended, is that it is a political signalling device. I think some of the supporters of Proposition 6 have made that point in the debate so far. It is a political device; it is a short-term political device, in a long-term economic and fiscal review, and I think that is the problem I have with this.

1905 So we are looking to construct a somewhat political device and put that at the very heart of our public finances, and I think that is counterproductive in a report that should be thinking about the long-term sustainability of our public services.

I think that the problem that we have in these Islands and the problem that we have had of late – it has not truly been the problem of the Government actually taking too much in Government income, nor even of spending – the problem has been not matching expenditure with income, and that is what T&R have taken action on.

1910 We will be returning to a balanced budget fairly shortly. We have got over that hurdle. The issue is not necessarily the level of income or the level of expenditure, the key is to balance the two of them, and that is what our existing fiscals already provide for – a long-term balance between income and expenditure.

1915 The other thing is I do not think we need a cap on income to practise fiscal discipline. Deputy Kuttelwascher said before that he felt it was essential. I do not think it is essential at all. I think, again, it is an option; it is a political option and the truth of the matter is we as a States, or a States that is not smaller than what we really need but not bigger than what we really can afford, that is the test, we do not need to create this kind of artificial cosmetic sweetener – I think Deputy Fallaize called it – in order to establish that.

1920 My main reservation about Proposition 6 unamended is that having a cap on Government income at 28% – our current income being 26.5% – does not allow us sufficient wriggle room in terms of public spending implications of the demographic challenges that we all know about on health spending, on pensions, on the Supported Living and Ageing Well Strategy, and indeed on the Social Welfare Benefits Investigation Committee.

1925 I deliberately avoided using any acronyms because the amount of times we seem to use acronyms in the States of Guernsey is starting to drive me absolutely mad, so I am deliberately spelling out those. I make no apologies for doing it at all.

1930 I think we need to ensure that we do not pursue a policy which is largely designed to give a political signal because if the consequences of that could be that those two programmes that I mentioned – the Supported Living and Social Welfare Benefits – if those programmes are disadvantaged by the decisions we make on Proposition 6 today, I think that could be seriously a fundamental error on our part, and – Deputy Fallaize made this point as well – we have to think of the potential social and economic consequences if we get this wrong. I do not think there is any great magic in the 28% figure.

1935 Clearly, again this point has been well made already, which is part of the problem of speaking late on, but there is a risk that if you have a limit it becomes a target – and Deputy Bebb made this point perhaps best – over time it becomes a target not a limit and it actually could end up being counterproductive.

1940 As Deputy Dorey made the point, there are many variables with GDP. We do not necessarily have the best measurement for GDP, because of the corrections that seem to take place, and I do not think that is a sensible basis to be making such a radical change.

1945 As I say, I am actually quite open-minded about the idea of a limit on public expenditure, aggregate expenditure, not on income, and I would be interested if this amendment is successful. I would genuinely like the two Committees to consider another way of doing it, measuring it in relation to expenditure.

But I suspect that if this amendment does not get through the income limit will be doomed to be ineffective, we will be setting ourselves up to fall as a Government and, essentially, the figure of 28% is too much of a compromise to be anywhere near correct.

So I would ask Members to support this amendment.

1950 Thank you.

The Deputy Bailiff: Deputy David Jones, to be followed by Deputy Conder.

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

1955 This journey, which is what we have started here today, is a journey of 10, 15, 20 years or more. If we have any chance at all of taking the people of this Island with us on this journey then we have to show to them, at the very least, that we are prepared to have a ceiling in our minds about what we are prepared to take out of them in respect of what services they require. Because at the moment most of what they are arguing about and the unrest out there, is the amount of money that the Government wastes in administration.

1960 In the years of plenty – and you all know when they were; they were not too many years ago – when we had £40, £50 million surpluses, the Government just grew fat and lazy, in many ways, in curbing its spending, and I know Deputy Fallaize is laughing but I am afraid for the people who are slightly left of the centre – it always is about tax and spends; it is no wonder they do not want a ceiling (*Interjection*) because they want to be able to tax and spend.

Deputy Fallaize: Sir, point of correction.

The Deputy Bailiff: Deputy Fallaize, point of correction.

1970 **Deputy Fallaize:** In the period that Deputy Jones is referring to, the expenditure of the States and the income of the States did not exceed the cap that is now proposed. How does he reconcile that with spurious claims that the States grew fat during his early years in the Assembly? (*Laughter*)

1975 **The Deputy Bailiff:** Deputy Jones.

Deputy Jones: We did. When we had a problem or we wanted an extra service – I will give way to Deputy Trott.

1980 **Deputy Trott:** Sir, Deputy Jones is quite right, and I am grateful to him for giving way. In the first four years of our time here in the States, 2000 to 2004, public sector revenue expenditure was growing at a rate that if left unchecked would have doubled – *doubled!* – inside of 10 years.

1985 **The Deputy Bailiff:** Deputy Jones.

Deputy David Jones: Thank you.

1990 I prefer actually the version of the ex-Treasury Minister than I do of my fellow Vale Deputy, but the fact of the matter is that when we had a problem we used to throw money at it and the services grew because it was just easier to do it that way.

Now, the problem we are going to have in the future is we have to measure how much we take from this economy – and that is our people; they are the only people who pay taxes – against what we spend on services and the Government that we provide.

1995 We had this morning a mini debate on Health. I just want to say to you about Health spending. We have heard this morning from Deputy Hadley – well, this afternoon actually – that it is likely to have to grow by at least £8 million and possibly another £20 million. Now, at the moment Health gets a £110 million from general revenue and there is another £100 million – if I go back to Deputy Hunter Adam’s days when he was Health Minister – that is spent by the public in primary health care, National Insurance contributions towards the Medical Specialist Group, prescriptions etc.

2000 So we are already at £220-odd million now for a population of 62,000, the size of a small town anywhere in Europe, and we are spending over £220 million just on Health at this present time, before the warnings that we heard this morning from the Health Minister that we will have to spend significantly more just to stand still.

2005 Now, that is one reason why I believe... I do not know whether – because I do not have Deputy Fallaize’s acumen when it comes to figures and the rest of it – the 28% is the right level. He says that that could be £35 million out either way in GDP, but the fact of the matter is that not to have it, I think, as we go forward will not instil confidence in the people of this Island, that we are not going to carry on taxing and spending at the rate that we have done in the past.

2010 So should we not be trying to control Government’s spending? Well, of course, we should and, as I say, we cannot get the people on board. This has frightened a lot of people, this particular policy Report, because it has some harsh realities about it. The demographic issues alone, about the number of working people who will be contributing to keeping all of us, or all of you... some of us in our old age and some of the others in the future. Deputy Fallaize will be a pensioner in, what is it, 2024 or whatever it is! *(Laughter)*

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Deputy Fallaize: Actually, sir –

The Deputy Bailiff: Is this a point of correction, Deputy Fallaize?

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Deputy Fallaize: It is. I am pleased to say that – Deputy Jones will be most pleased to know this – but I will be 70 in the first year that the pension age will rise to 70. That was designed by Deputy Langlois, I think, on purpose! *(Laughter)*

2025

Deputy David Jones: I do not know, as I say later in my speech, about the 28% again. I do not know whether 28% is right, but I do know that at least we will be saying to the Guernsey public that we are going to have a limit on what the Government is going to take from them in the future, and we are going to try and keep, as best we can, our revenue stream from them to a certain level.

2030

Now, of course, expenditure will take whatever course it takes in the coming years on many of our essential services, on education and health, but we do still waste an awful lot of money in lots of other ways and that is what we have got to concentrate on – the front line services and the core services that our people expect us to provide – but that does not mean to say that all the rest of it, we should just carry on spending and taxing them as we see fit, which is one of the reasons we have not got on to GST but one of the reasons why I will not support GST because Governments cannot be trusted with those kinds of revenue raising powers. They just cannot. They have shown it in the past, because they do not control spending when it is too easy to put up the rates.

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The Deputy Bailiff: Deputy Conder.

Deputy Conder: Thank you, sir.

Sir, I come to this debate from two directions, really.

2045 First of all, I believe in fiscal prudence and I applaud much of what my very good friend Deputy
Langlois said in his speech a few minutes ago. I depart from the proposal because – I have said it
before and I increasingly feel – as I get more experienced in the States we forget so many times
that we are the Government. It is our responsibility without targets – without artificially imposed
limits – to make sure we run this Government efficiently and that we control our expenditure, and
2050 we generate enough income to fund that controlled expenditure. We do that through the budget
process. Maybe we do not do it very well and maybe we should do it better, but quite why we feel
that we should impose an arbitrary figure, whether it is too high or too low, upon our income is
beyond me if – *if* – we accept our responsibilities to perform as a Government and exercise proper
fiscal prudence.

2055 Deputy Jones just said that he wants to abolish waste and avoid waste, and there is a lot of
waste within the Government. He could be correct, but there can be a lot of waste within 28%
income. That will not stop us wasting, if we are wasting money; it will simply mean that we are
using our resources inappropriately within a limit of 28%.

2060 So I will support this amendment, not because I think it is too low, not because I think it is too
high, or I think that we should be able to spend as much as we choose at any time; it is because
we have a responsibility through the Government processes to control our expenditure and we
should not require artificially imposed limits in order to control our expenditure.

2065 I will just be slightly facetious – although perhaps not entirely facetious – Deputy Langlois did
allude to GST and it is just possible during this debate I might. (*Laughter*) Interestingly, the extra
1.5% between 26.5% and 28%, as we have been told during this debate, amounts to at present
times about £30 million, and I have done a little calculation that, if 5% GST equals £50 million, 8%
GST would equal £80 million. There is the £30 million difference, so I think we are already positing
increasing our GST rate from 5% to 8%. I said I was being a bit facetious! (*Laughter*) I will come
back to that.

2070 More seriously, sir, I would take, I think... Deputy Gollop really gave the lie to this limit of 28%.
Deputy Gollop said 28% of a rising income is a big figure and gives us lots of headroom. He is
right, of course; 28% of a rising figure would be big and would give us lots of headroom. 28% of a
declining figure is a very serious reduction in Government expenditure and again many of us,
including myself, have said on many occasions, internationally, this Island as well faces a
deflationary economic climate.

2075 The UK has just gone into a deflationary position – most of Europe is. If Government
expenditure falls, our services will not. If Government income falls, our expenditure will not. 28%
of a rising figure, as Deputy Gollop says, gives us lots of headroom. 28% of a significant fall in
GDP means there is not enough income to fund the core services. 28% may not be enough.
Therefore these artificially imposed limits are nonsense.

2080 We have a responsibility to make sure we generate enough income and that we control our
expenditure within that income limit. That is what we should do as a Government, not impose
nonsensical false limits which will be breached time after time after time, as Deputy Bebb said,
under certain circumstances. If they are not breached, they will become a target and we will
simply spend up to them.

2085 So I urge colleagues this is not fiscal prudence, it is an artificial limit which has no role in
proper fiscal control and proper Government.

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

The Deputy Bailiff: Deputy Perrot.

2090 **Deputy Perrot:** I speak here, sir, not just as a Treasury foot soldier but from a personal point
of view.

Deputy Jones was talking about taking the Island on a journey starting today. That is really
how I see it.

2095 From a personal point of view – and I make no excuse for having said this before in this Chamber – the most important thing which was said by people to me during the election campaign in 2012 was the people felt that the States spent too much. I know that I went out, much to the chagrin of some of my colleagues, a couple of months too early, *(Interjections)* but I jolly well spoke to more people than you did, and that was the recurring theme – the anxiety
2100 about what on earth the States are going to do.

So, unlike Deputy Green, I do want to send out a political signal through this Proposition, and the political signal that I wish to send out to the electorate is we are actually trying to put limits on what we are going to take out of the economy, and I think that that is a responsible thing to do, and we have never done it so far.

2105 Deputy Green was saying earlier on, ‘Oh, I wouldn’t mind if we did in relation to expenditure. That would be alright,’ but it would not be alright if we do it in relation to income. Well, of course, you cannot have... *(Interjection)* Why are you signalling at me then? *(Interjection)* I am so sorry – a lesson in elocution here from Deputy Conder. *(Laughter)* You cannot have expenditure without income. The two are, of course, tied together, so if you are going to set limits about what you are
2110 going to spend as a Government, what you have got to do is to set limits about what you are going to take out of the economy.

Now, we are not a dirigiste economy, or at least we should not be, but I know that there are people within this Chamber who do want to have a tax and spend regime. Actually that is a misnomer, if a phrase can be a misnomer. It is a spend and tax regime that they wish to have, let’s
2115 spend on all of this and we will tax accordingly.

Well, I say that is wrong. I say to the electorate from my point of view, we have got to set the limits on how much we are going to take from you. We take shed loads of money from you already in respect of Social Security. We take 20% by way of Income Tax. There are other indirect taxes. The whole of this lot ought to be aggregated at a certain amount. What should that amount
2120 be?

Well, according to Deputy Fallaize, it is a figure plucked out of the air; it is Alice in Wonderland figures. No, it is not. What you have to do is to think about what might be a reasonable amount. You look at what other jurisdictions do. You perhaps do not look at Equatorial New Guinea and say okay 1.4% will do. I do not know why you are nodding at me, because I do not think that
2125 would be appropriate. *(Interjection)*

What you might do is look at a jurisdiction such as Switzerland, where the total amount which comes out of GDP is of the order of 29% and so you say ‘alright’. What we are not going to do is take a figure which actually accords with what we are taking at the moment, because that is stupid – you cannot take one year in isolation. Let’s look at what we have done in the past. We have seen
2130 that it has gone up to 29% in the past, so let us set some sort of reasonable figure. So it is not just plucked out of the air. It is set down as to what at the moment is thought to be reasonable.

Now, I go along with Deputy Fallaize when he says, ‘Well, of course, it is just a Resolution isn’t it.’ I mean it does not mean very much, you can always break a Resolution subsequently. Of course, you can, but so many of the things which we resolve upon are actually Resolutions, and they do give us a form of political discipline, which we formally have to break if we are going to
2135 change it.

That is the point: it might be that at some time in the future one has got to go above that amount, but my goodness me, we would all know about it because we would all be referring to the amount fixed as of today. There would have to be a jolly good reason to break it at that time
2140 in the future.

So I think we ought to reconsider the phrase ‘tax and spend’. It is spend and tax for some – perhaps for Deputy Hadley who wants another £8 million for the HSSD. I know that lots of *Guardian* readers have that sort of approach, but that is certainly not my approach.

I do believe in proper fiscal discipline and I think that we do it by setting down what may be a somewhat artificial amount, that artificial amount may change, but it would also be brought into consideration when we are considering total income take in the future.
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The Deputy Bailiff: Deputy Trott.

2150 **Deputy Trott:** Sir, there has been a fair bit of discussion around whether 28% is the right figure to cap levels of taxes and fees that we can take from our community. I found a rather interesting website called www.ukpublicspending.co.uk and on that we are given the percentages – the total spending of the UK Government as a percentage of GDP, going back for 112 years.

In 1900 it was about 14% and these days it is around 40%, but interestingly, sir, it peaked during the war years at some 70%.

2155 What is the relevance of that? Well, we do not have a defence budget and we do not have a network of international embassies. So if you think if the UK Government can do all that for 40% of GDP – and I accept the arguments that we are about one thousandth the size – then it is not unreasonable. With defence spending and the cost of servicing public debts and such like running at about 12% of GDP, a rather simple mathematical calculation, 40 less 12, brings us rather neatly and conveniently down to 28%. So does 28% seem about right? Well, yes, it does seem about right.

2160 Sir, Deputy Hadley alerted me to this periodical called *The Guardian*. I have heard it comes out fairly regularly – six times a week – and in it there was a rather interesting article quite recently, saying how UK Health spending had fallen quite significantly since 2010, which really shows what can be done where there is a will.

2165 Sir, the problem about this particular debate is many have started from the premise of, 'Our Government needs to be as big as it needs to be.' Well, no, because there is an insatiable appetite for public services – we all know that. Our job, as custodians of the public purse, is to ensure that the number remains reasonable.

2170 If we are going to continue to describe ourselves as a low tax jurisdiction – and coming from the right of the fiscal political perspective, I hope that we do – a cap on the amount that we take from taxpayers' pockets at around 28% seems entirely legitimate as a starting point.

2175 If, however, it proves to be insufficient – and it might – it serves as a useful KPI so the moment it is breached, we have an obligation to explain to our community why that is so, and that sort of public engagement is not only legitimate but extremely valuable.

2180 I do, however, though, for balance, have to end on a point that has been made by others, including the proposer of the amendment, with regard to the disparity in terms of timing between the real term demand driven expenditure, that we have in the public service, and GDP which is certainly of a historical nature. We have heard that sometimes the actual figures can be some three years coming through.

2185 Clearly, sir, it is rough and ready, but clearly 28%, if you are going to stick your finger in the air and wave, is about right. It does, as others have said, allow some initial headroom which in my view is more than adequate. I suspect that, had I been a Member of the Joint Committees, I would have deliberately wanted to have lowered that figure to make the focus on public sector expenditure restraint even more acute than it has been over the last two or three years.

I therefore, sir, reject the amendment and support the Joint Committee's proposals.

2190 **The Deputy Bailiff:** I turn to the Minister of the Treasury & Resources Department, Deputy St Pier, to speak in the debate before the proposer of the amendment.

Deputy St Pier: Thank you, sir.

Deputy Fallaize, I think, has misunderstood the purpose of Proposition 6 and I do not think he has been listening to the public recently, or indeed through the consultation process over the last couple of years, and he has not also reflected advice from the Independent Annual Fiscal Review.

2195 Proposition 6 is not intended to be an iron lung, it is intended to provide the discipline, and to provide that signal of intent, precisely as Deputy Jones described it. It is a political covenant, if you like. It is about managing expectations, as Deputy Kuttelwascher said. It is about signalling to the international community, to potential residents, that we intend to remain a low tax jurisdiction. It

2200 is signalling, importantly, to Islanders precisely what Deputy David Jones was saying – that this is the limit of what we will be taking out of your back pocket, and that you can plan accordingly. It is a signal to Government, in terms of Members of this Assembly, and it is a signal to the public service employees; and it is a signal to unions, that this is a serious intent to remain a small and lean Government.

2205 Deputy Fallaize said there is no foundation in logical reason, and I think that point has been addressed by many others in terms of the identification of the 28% as the recommended limit.

There has been much, as Deputy Fallaize and a number of other people referred to, uncertainty around the GDP numbers and the period which it takes for those to be calculated. Again, that misses the point. This is not about the annual Budget-setting process, this is about the determination of a long-term trend over economic cycles. It is about providing accountability.

2210 He mocked the golden rule of Gordon Brown but, of course, the fact that that rule was broken very much drew attention to the fact that it had been broken so, as Deputy Trott says, it provides the parameters around which future debates will be held.

It is doomed to be ineffective, Deputy Fallaize says. Well, that is the 'Council of Despair', so we have no rules whatsoever; let's just operate without any rules.

2215 Interestingly, of course, we do have the 21% target of GDP in relation to general revenue expenditure and, of course, we have continued to manage well under that and, of course, it has fallen, particularly in the last few years, as a result of expenditure restraint.

2220 Interestingly, nobody who spoke against the use of targets as a fiscal discipline, suggested that that should have been removed. (**A Member:** Hear, hear.) The logic of the case presented for the amendment would be, 'Let's get rid of that rule,' and yet that case has not been made by a single speaker.

It is a lock on the States, Deputy Fallaize says. No, it is not, and that again, I think, has been addressed by many speakers today.

2225 Deputy Fallaize also referred to the no real terms growth in expenditure as being a key contributor to our success in controlling spending in the last years. He is absolutely right – that has been a key but, of course, that is part of the deficit management process when the black hole opened up in the mid-2000's. It is not part of the long-term policy management.

2230 Deputy Luxon asked how would we deal with the unavoidable increases that went beyond the cap. It is a very fair question and, of course, the answer to that is that within the constraints of the cap then that would provide the discipline to force us here, or our successors, to prioritise and determine where the priorities really are and, of course, if it cannot be managed within the cap then an application has to made and presented to that being changed. But it would provide a framework, as I have said and as Deputy Trott indicated, in which those future debates would be held.

2235 Deputy Hadley made the point, very eloquently, about the challenges within HSSD, and I think that point was made well by the Minister for HSSD in his Statement this morning. Again, he made the mistake of focussing on those short-term challenges. This is all about our long-term expectation management.

2240 Deputy De Lisle, I am sure Deputy Fallaize will take support from wherever he can get it on this amendment. (*Interjection*)

Deputy Hadley: Point of correction, Mr Deputy Bailiff.

The Deputy Bailiff: Point of correction, Deputy Hadley.

2245

Deputy Hadley: The whole point was to focus on the long-term, the demographic issue is that we are going to have to increase our expenditure on Health by £8 million a year, probably, to keep up with the increase in – It is no good shaking your head, Deputy Langlois – the number of old people are increasing. This is bound to create the sort of demands that I identified. We are talking about the long term.

2250

The Deputy Bailiff: Deputy St Pier.

2255 **Deputy St Pier:** Deputy De Lisle should be supporting the Proposition and not the amendment. I would have to say that it was a rather bizarre logic that he would prefer no target whatsoever than the one that is proposed. (*Interjection*) If he felt it was too high then he should, sir, have brought an amendment to bring it down and therefore, to support an amendment that removes it entirely, does strike me as very odd. I would encourage him to perhaps consider his position and support the Proposition, and if he does genuinely believe it is too high then he can bring a motion to this Assembly, sir, for us to revisit it at another time so it should come down.

2260 In relation to GDP statistics, again I have spoken about this. Deputy Dorey raised that question. Of course, there is a delay in the finalisation of the statistics, but again, in relation to the long-term, I am not sure that that is a great challenge, but certainly in the short term, the Policy and Research Unit of Policy Council are seeking to improve the data sources and improve those statistics.

2265 Deputy Bebb referred to private patient income, and suggested that that would be outside this cap. Well, of course, it would not because it is proposed that it would include fees, charges, taxes and Social Security. He said that there would be big headlines if there was ever a proposal that the cap should be changed. That, sir, is precisely the point – that there should be big headlines. It should be a big issue, should we be seeking to move it. That does not mean that we cannot move it, but we should know what we are doing and do it in that context.

Deputy Bebb: Point of clarification.

2275 **The Deputy Bailiff:** Point of correction, Deputy Bebb.

Deputy Bebb: Sorry, it is a clarification.

Could I ask, because my point was the amount of money that would be going to MSG, is Deputy St Pier proposing that the fees private health care pays directly to MSG as an external partner be included within this cap or, as he said himself a few minutes ago, target?

2280 **The Deputy Bailiff:** Deputy St Pier.

Deputy St Pier: The target I was referring to was the general revenue target, but in relation to his question, no, I am not referring to MSG fees, I am referring to private patient income of HSSD.

2285 In relation to Deputy Green referring to it as a political device, I agree. Where I disagree with him is he just termed it a 'short-term political device'. It is not; it is a long-term political device. He also referred to the fiscal rules, of course, providing that we remain in balance and, of course, all of those rules remain in place. It is not suggested that they be removed. He also referred – and Deputy Perrot picked this up about expenditure – perhaps preferring an expenditure target rather than an income target. Of course, given that in the long term there should be fiscal balance, then in essence it is the same thing and that, I think, is the point that Deputy Perrot made very well.

2290 In relation to Deputy Conder, we are not saying at all that we do not have to control costs – quite the reverse. Again in relation to the reference to artificial limits, my challenge to him, sir, would have been then he should have sought the removal of the current general revenue target within the fiscal framework as it is, which nobody has sought to remove.

2295 Therefore, sir, I do strongly urge all Members to reject this amendment and, ultimately, to support the Proposition.

The Deputy Bailiff: Deputy Fallaize to reply to the debate.

2300 **Deputy Fallaize:** Thank you, sir.

I was amused that Deputy St Pier accused me of misunderstanding public opinion about 24 or 48 hours before he stands before the States to defend a broad-based consumption tax of 5%! (*Laughter*) But then it was a rather odd debate. There was quite a lot of hyperbole in the debate trying to link the amendment with fiscal irresponsibility which, of course, is complete nonsense. If I was proposing that, instead of 26.5% or 28%, the cap should be 30% or 32% or 35% – as Deputy Gollop suggested it might have to rise to – then, of course, it would be reasonable to link the amendment with a much more liberal approach to fiscal policy.

What I am suggesting – what is set out very plainly in the amendment – is that there should not be a cap linking income to an imperfect, flawed index of GDP. I do not care whether it is 20%, 25%, 30% or 40%. I just do not believe there should be an index-linked cap in the way that the Joint Committees are proposing.

Deputy Luxon asked Deputy St Pier and Deputy Langlois to confirm how the inevitable pressures on Health and Social Care expenditure will be dealt with, which the Joint Committees accept could range between 0% and 6%, in the event that Proposition 6 is approved unamended; and I think, he will have just heard that there is no answer to that question.

The Joint Committees have absolutely no plan for what will be done in relation to this cap in the event that the additional pressures on health care and social care expenditure are greater than perhaps 0.5% or 1%, or 1.5% at maximum, and yet their own figures say that the projections are anything between 0% and 6% of GDP.

Deputy Langlois said the Island deserves an assurance with regard to total States' income. Well, my question is why? Why does the Island deserve an assurance in 2015, when it has not had one in 2010 and 2005 and 2000 and 1990 and 1980 and 1970? This is not a jurisdiction which has had a history of uncontrolled income or expenditure. The proposed cap is right at the top of where States' income has ever been historically. So it is flawed, in my view, to argue that all of a sudden we need to provide an assurance to the public, in the form of this rather arbitrary and artificial cap, when income and expenditure has been very controlled over the years with no cap. But if an assurance is needed, it is needed in relation to public expenditure, and clearly there is a link between expenditure and income, and if the amendment is approved we will still have the policy in place of no real terms growth in expenditure.

Now, Deputy Langlois spoke very warmly of his best friend's predecessor, Deputy Parkinson, and it was pointed out to me that just a few minutes before Deputy Langlois cited Deputy Parkinson, Deputy Parkinson had 'twitted', or whatever it is called, (*Laughter*) that a cap of 28% would just be empty rhetoric, which does not seem to be terribly supportive of the proposal (*Laughter*) because GDP lags two or three years behind, and yet budgets have to be set 12 months in advance. So I agree with former Deputy Parkinson, that it would be just empty rhetoric.

Now, he emphasised that social insurance expenditure should be included in any overall policy of restraint and I do not necessarily disagree with him, but the amendment does not preclude the inclusion of social insurance contributions in any States' policy. I am not suggesting that they should be excluded. If they have to be brought into the fiscal framework, they can be brought in to the expenditure policy which exists in the fiscal framework.

He accused me of exaggeration and hyperbole and then said that not supporting Proposition 6 would allow for fiscal indiscipline, but clearly that is not because we can see from their own statistics that there has been no fiscal indiscipline from... well, 1990 was the first year they go back to, but if one goes back further there has not been fiscal indiscipline in all of those years.

He also spoke of ever-increasing public expenditure, and Deputy Dave Jones referred to this. Now, Ministers, and particularly those of a particular political persuasion, are very fond of doing this, standing up and suggesting that the States – of which they are senior Members, of course, but that does not often seem to make much difference – are guilty of uncontrolled expenditure and that there is huge growth in the public sector and we are fat on revenues, but actually the figures do not bear that out. States' expenditure has fallen, and is still falling.

If one reads Professor Woods' analysis of fiscal policy year after year after year, States' expenditure is falling, it is not rising, and the Joint Committee's figures demonstrate that, we have

gone down from 28% of GDP in States' income to 26.5% of GDP without the need for a cap or a target.

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The interventions which were made during Deputy Hadley's speech, I think, probably underlined the central reason why I laid this amendment. What Deputy Hadley was trying to do was – he may have been right or he may have been wrong – but he was trying to explain, in his view, the consequences on public services of imposing a cap of 28%. He was interrupted by at least two Members of the Joint Committee, saying, 'Well, he is off topic. That is not an issue for today', but I would ask the question: how can we possibly set a cap on States' income without understanding the economic and social consequences that that cap would have? The points that Deputy Hadley was making were absolutely central to the case for a cap.

2360

Deputy Gollop was another speaker who pretended that I was proposing to remove a cap that was already in place. I am not; I am proposing the *status quo*. Actually, the emphasis, or the burden of proof rather, should be on Treasury and Social Security having to convince the States why a cap is necessary. The burden of proof is not on me to demonstrate why a cap is not necessary, because I am just proposing the *status quo*. (**A Member:** Hear, hear.)

2365

Deputy Kuttelwascher raised the UK as a risk, or the experiences of the UK as a risk, but that is precisely the point; the UK is full of fiscal rules and yet that has not helped to constrain expenditure in that jurisdiction. (**A Member:** Hear, hear.)

2370

Deputy Le Clerc said that, without Proposition 6, States' spending would be uncontrolled again – that this is just re-writing history. She asked why have Propositions 18 and 25 been included in the amendment? Well, that is only because if I had not included them in the amendment, the new Proposition 6 I am proposing would not have been consistent with Propositions 18 and 25 as they are set out in the policy letter, because Propositions 18 and 25 propose that the work of the two heavily-acronymed Committees should fall within the 28% policy. Well, I do not want a 28% policy so therefore I have to get Proposition 18 and 25 amended as well.

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Deputy De Lisle should not be, quite falsely, tempted into supporting Proposition 6, as the Ministers have urged him to be, because he has made it quite clear that he wants a cap, but he does not want a cap of 28%; he would have a cap that was much lower than 28%, so why on earth would Deputy De Lisle be supporting, or trying to chuck out an amendment, in order to leave a Proposition in place which proposes a cap of 28%? (*Laughter*) It is indeed quite odd that the opponents of this amendment have attacked it on the basis that they want to be more fiscally responsible, when they are actually proposing a cap which allows for a 1.5% increase (**A Member:** Hear, hear.) in the accumulation of States' revenue. (**A Member:** Hear, hear.)

2380

Deputy Dorey emphasised the difficulty in using GDP as an index because of how late and how much it is adjusted. I quoted 7% fluctuations earlier, but he quite rightly demonstrated that, if you take into account adjustments for increases and decreases, it is more like 11%. Now, that is a £50 million difference in annual States' income. £50 million difference! How on earth are we going to measure and monitor the success of a policy on States' income when the margin of error could be anything up to £50 million in one year, depending on how GDP is revised two or three years after the event? That clearly is not a sensible policy.

2385

He was also correct to identify how States' income can be used, raised to beneficial effect. For example, building up reserves, including pension reserves. We should not see the raising of income – I do not mean increasing income from its present level, but I mean raising income generally through tax receipts – as evil, because it can be used for fairly sensible purposes occasionally.

2390

The policy would lead to, or could lead to, huge variations in annual budgeting when most Governments around the world are trying to smooth out fluctuations in annual budgeting.

2400

The other thing is there are no sanctions proposed. What happens if this cap is breached? Well, the answer is nothing. Most countries who put in place these sorts of measures, legislate for them and often set up quite elaborate infrastructure with regard to independent reports and all sorts of potential political and economic sanctions, in the event that these targets or caps or

2405 policies are breached. What happens in the event that this policy is breached? Nothing. It is just empty rhetoric.

It is extraordinary that at the start of what is meant to be a well-informed debate based on evidence at module 1, the very first really substantial Proposition we are faced with, Proposition 6, is to set a policy with absolutely no idea or analysis of the economic and social consequences of that policy.

2410 Deputy Bebb is right when he says that the cap would become a target. That is what has happened with the RPIX spending policy. The policy actually is to increase spending, revenue expenditure, by RPIX or less. It was never a target to increase expenditure by RPIX and yet, within one year of that policy being introduced in 2007, Treasury & Resources Department's every year were patting the States on the back in the event that the States managed to stay within increases in line with RPIX, because it had become a target rather than a cap, and the same would happen here.

2420 Deputy Bebb and Deputy Conder – and possibly one or two other speakers as well – rightly raised the question: what would happen in the event of significant economic downturn? If we have a policy of linking States' income to a particular percentage of GDP, in the event of a significant economic downturn, even if it only lasts for a relatively short time, there could be a very volatile effect on States' income and States' expenditure. Now, that clearly would not be logical. In the event that there are significant decreases in GDP, the likely pressure on States' expenditure would go up not down, and therefore income would have to rise and not be decreased. If we seriously believe that in the event of falling GDP we can cut expenditure in line with falling GDP, we really are in Alice in Wonderland politics.

2430 Deputy Green is right, this is an attempt to use a political device as part of a fiscal debate. But the States like to do this. I mean every 18 months or so the States like to parade their fiscal conservatism and fiscal responsibility by building up all the risks of States' expenditure going completely out of control when actually we are operating in an environment where expenditure is falling. There is no need for these siren voices to raise all of these bogey men and put up all of these straw men, of increasing expenditure – expenditure growing out of control. We are not in that kind of environment. The States have been cutting expenditure, not increasing expenditure.

2435 Deputy Jones said he did not know if 28% was the correct limit but he would vote for it anyway! (*Laughter*) Okay, could be a fairly short debate if we take that sort of view on all these Propositions! (*Laughter*)

2440 Deputy Perrot said, 'Well, he made a typically eloquent plea on behalf of the electorate, who favour restraint in Government expenditure. Well, I know Deputy Perrot has said that he will not seek re-election – which I consider unfortunate – (**A Member:** Hear, hear.) but nonetheless I wish Deputy Perrot all the luck in the world in going out to the electorate, and to the public, and telling them that at the moment States' income represents 26.5% of GDP and he is proposing that there should be a cap of 28% to GDP; and he is doing it because he wants to restrain the amount of money the States take from the public, because I do not think that is a credible position. If the Proposition was for 26.5%, or for less than 26%, I think that Members of the States who hold these political views could genuinely argue for their proposal on grounds of fiscal responsibility, but they cannot do that when they are proposing a cap which is 1.5% above the present levels of States' income expressed as a proportion of GDP.

2450 Sir, the index is unsafe. GDP is an unsafe index to use. There is no logical reason for 28%. There is going to be no sanction if it is broken. I think it was Deputy St Pier, when he opened debate, who said that if we do not take difficult decisions in respect of tax and benefits policy now, we will be storing up trouble for our successors in 20 to 30 years' time. If this Proposition is approved un-amended we will be storing up problems for our successors in 20 or 30 years' time, and we do not need it.

2455 We already have policies in place which constrain States' expenditure. This is not a Government which has been fiscally irresponsible and needs this cap imposed. It is unnecessary, it is unjustified and I would say, sir, my feeling is this Proposition was borne on the North Beach. (*Interjections*)

2460 I think that because of the Proposition to introduce GST and the concerns that that would be regarded as fiscally irresponsible and imprudent, the two Committees had to find a way of trying to demonstrate that, although they were proposing the instruction of new taxes, they did not want to take more income from the public.

The way they have conceived of doing that is to impose an entirely arbitrary artificial cap of 28% on States' income. It is not sensible policy making and I ask the Members to vote for the amendment. (**A Member:** Hear, hear.)

2465 **The Deputy Bailiff:** Well, Members of the States, we move to the vote on the first amendment, that is proposed by Deputy Fallaize and seconded by Deputy Green. It involves deleting Proposition 6 and replacing it with different wording, with two consequential deletions of Propositions 18 and 25.

2470 **Deputy Lowe:** Recorded vote please, sir.

The Deputy Bailiff: *Appel nominal.*

There was a recorded vote.

2475 **The Deputy Bailiff:** Well, Members of the States, we will formally declare the result in a moment.

We will move on to the next amendment. That is the amendment marked number 2, to be proposed by Deputy Laurie Queripel.

Deputy Queripel.

Amendment 2:

1. To delete Proposition 13 and substitute:

'13. To direct the Social Security Department to investigate options for securing the sustainability of the Social Insurance Fund without increasing the age at which an individual is entitled to claim statutory old-age pension beyond 67, and to report back to the States with their recommendations as soon as possible.'

2. To delete Proposition 14.

2480 **Deputy Laurie Queripel:** Thank you.

Sir, I think it is a good idea if I start by reading the amendment:

'To delete Proposition 13 and substitute 'to direct the Social Security Department to investigate options for securing the sustainability of the Social Insurance Fund without increasing the age at which an individual is entitled to claim statutory old-age pension beyond 67, and to report back to the States with their recommendations as soon as possible.'

2. To delete Proposition 14.'

2485 I may be called a cynic for expressing this view, sir, and I do not think that is something that can normally be aimed at me, but I think we are in danger of overplaying or overestimating, almost in a sort of *Eagle* comic, *Eagle* annual *Dan Dare* kind of way... and those Members who are old enough to remember the *Eagle* comics, and the *Eagle* annual, (*Interjections*) the likes of *Dan Dare*, will be hopping from planet to planet, zooming around in space cars and hover vehicles, all apparently meant to happen in the late 1990's and early 2000's.

2490 I think we really are in danger of overplaying how wonderful the future is going to be and how incredibly advanced, mechanised and automated the workplace is going to be in a manual work context. How it could be populated, at least in part, by fit, healthy, agile people in their late 60's and early 70's?

2495 Sir, it is justified, it is evidenced there will be advancement in this area, but there is also plenty of evidence, plenty of informed opinion, to strongly suggest that it will probably not be quite what some are envisaging or predicting. I have heard some quite blasé views that the mature worker will be so fit, and the workplace so revolutionised in the foreseeable future that 70 could just be the beginning and soon after it could be 72, 75. Sir, I am not entirely, or at all, convinced of that. I will welcome the opportunity to explain why.

2500 Sir, I do not think the manual workers' Promised Land is just 20 or 30 years hence – just 20 or 30 years down the road. There has certainly been a workplace evolution, but there has not been a revolution for a long time in regard to manual workplace practices.

2505 Sir, I worked in the building trade on and off from the late 1970's until 2012 and, yes, there has been an evolution; power tools have come to the fore, cement bags and sand bags are lighter. That is the result of good health and safety intervention. That is not always the case. There has been no great leap in scientific advancement in regard to manual worker aids in that time. If I had to estimate, I would say that manual work or building trade work is possibly 15% less labour intensive than it was 25 or 30 years ago. I am speaking from first-hand experience, not theory.

2510 In fact, the last contract I worked on in 2012... after being elected to the States I had some work to complete, some quite extensive remodelling of a three-storey building, and there were ceilings and walls to pull down and fittings to remove, and we were still using hammers, sledge hammers, crowbars etc., and still having to carry sheets of plasterboard upstairs – in fact, in very much the same way as I would have done when I was in my 20's, just a few years ago! (*Laughter*) So I cannot see that scenario changing very much over the next 20 years or so.

2515 So it is not only thinking about when the 70 age will kick in, in 2049, but all the years leading up to that from now and the workplace environment now, and leading up to that time, and the people working in it now, and in the next 20 or 30 years.

2520 To put that into some sort of context, there are people working in these trades now, in these workplace environments now, who are roughly – perhaps a bit younger, but roughly – the same age as Deputy Collins and Deputy Fallaize, who will be caught by this pension age rise to 70.

2525 It is very easy to think that 2049 is such a distant date that it applies to some future generation. It does not. There will be no workplace revolution tomorrow or in five years' time, or in 10 years' time. These people will be doing what I was doing for the foreseeable future. Even if these workplaces and these jobs are more effectively mechanised in 20 or 25 years' time – and I am not convinced of that – maybe they will be another 15% less labour intensive, but I am not at all convinced of that. The people doing these jobs now will have years of doing them in pretty much the same way that they have always been done.

2530 Some other reasons why I think we might be overly optimistic in regard to what the future will bring within the context of the manual workplace... I recall back in the 1960's and early 1970's even, before I started work, I remember my father coming home from work, normally late in the evening after doing a full-time and a part-time job, and between his evening meal and when he would fall asleep on the couch he would watch some TV. He normally liked to watch the news programmes – *Panorama*, for example – but I especially remember one called *Tomorrow's World*... very catchy tune, it had. (*Interjection*)

2535 On *Tomorrow's World*, presenters, experts and scientists would cover all kinds of topics of a futuristic nature and one favourite topic seemed to be the coming sweeping changes in regard to the working environment. I remember they would wheel out scientists. There was one in particular I remember, Professor Heinz Wolff, to wax lyrical that we were on the cusp of a workplace revolution. A great re-ordering, mass automation, mass mechanisation and this would happen in the next 10, 15 or 20 years, and we would have so much leisure time that we would not know what to do with it.

2540 Sir, there has been no such transformation in regard to manual work. There has been an evolution, but the mass change never came – we are still waiting for that change. So my father would manage a wry smile and perhaps make a caustic comment, but secretly I would imagine, sir, he was rather hoping that it would all transpire. At that time I think he was probably in his

mid-40's but a dozen or so years later, close to retirement he was still digging, bending, kneeling, weeding, carrying things about – granted, with some mechanical aids, but not with a great deal of difference. So where is Professor Heinz Wolff when you need him? (*Interjection and laughter*) But not working manually, I presume!

2550 Of course, these predictions and theories go back even further, to the 1950's. This kind of talk, this kind of discussion was taking place, predating the likes of *Tomorrow's World*. So when one thinks of all the other manual and physical jobs and tasks... I have just mentioned gardening – and, yes, things have improved, but if you watch professional gardeners it is still a labour intensive profession – roofing, stone work, masonry, fishing, slabbing, plastering, blocking, scaffolding, 2555 greenhouse work... As far as I know, in regard to tomato work, leafing and picking still takes place by hand; there is not some magical machine that leafs and picks – store work, furniture removal, delivery work, driver delivery work.

2560 For roughly two years, I did a paper round for Deputy Fallaize, and there was no button I could magically push that would set a machine off that would deliver the papers through the letterboxes. Hundreds of times during the course of a day I had to get out of the van and deliver those papers and Deputy Fallaize, being a shrewd capitalist, would never employ a youngster during school holiday times. I would be doing that all the time. (*Interjection*) Yes, he was, he presents himself as a... (*Laughter*) He knew I had a bad back and a bad knee, sir, but nonetheless. (*Interjections*)

2565 But, sir, the point is the repetitive nature of that work, and the wear and tear it causes. That list I have just listed – it has not changed very much at all, and I will not. The list is extensive. Even my main trade, decorating – the last time I papered a ceiling I was 50. I did it in exactly the same way as when I was in my 20's, but with one difference: gravity seemed to make it harder for me. Sir, the nature of these jobs will not change very much over the next 20 years or so.

2570 Sir, there is all sorts of evidence to strongly suggest that we are looking at a slow evolutionary process – a matter of decades, not just a few years, and the passing of time itself has proved that. This has been a topic of discussion for the past 60 years or so, and we have only seen modest progress in regard to the mechanisation and automation of the manual workplace.

2575 Just supposing, sir, for a moment, that mechanisation came on in leaps and bounds, and within a few years we had this workplace transformation. I have heard talk about businesses and the States needing to adapt, but where would all these back office jobs and supervisory positions come from, for the more mature worker. What will the capability of employers and businesses to retrain and redeploy be? If there are going to be fewer jobs, and mature workers are pushing the buttons and doing whatever manual work there is, what are the young people looking for 2580 employment going to do? How would we ensure that there is a variety of jobs for young people to choose from, bearing in mind that young people have different abilities and different interests? How would we maintain the skills base, such as it would need to be maintained and replenished, if there was a glut of mature workers?

2585 Sir, we can theorise that there will still be lots of jobs because there will be machines to operate and buttons to push, and maintenance and repair work to be carried out on the machinery, but if that is the case, one has to wonder at the effectiveness of automation and mechanisation, if you are going to need nearly as many jobs as now to carry out all these new functions.

2590 Sir, there have been theories put forward in regard to these scenarios and possible solutions, but I have not been convinced that any resolve the conundrum. Sir, I would say that if you are going to have fewer jobs in the future, and of a different nature, it will be more important than ever to get younger people into them. They are the ones that will be in the position long term and be able to adapt and evolve best with the changing work place.

2595 Now, sir, there is some other information that runs parallel to the statistics that tell us that we are living longer, healthy lives, and that the workplace is becoming more mechanised.

Firstly, that life expectancy has apparently plateaued over the last few years. I saw some figures recently that said they plateaued in the last eight years and on average had not gone up. So, for

2600 now, living 15 or 20 years beyond retirement on average seems to be about it. That may well change, or this may be as good as it gets. We may live routinely to 100 or 120 in the future, but any views along those lines are, yes, perhaps informed or educated guesses but nevertheless supposition. It seems to have levelled out, sir – life expectancy – but if it becomes apparent that it is clearly on the rise again, the matter can be revisited. I want to establish the principle that the pension age should not go or need to go beyond 67 based on current information and facts.

2605 Sir, it is not an inconvenient truth that people are living 15 or 20 years beyond retirement. Living longer, healthier lives is a good thing and, to their credit, I know that Deputy Langlois and Deputy St Pier have acknowledged that but, quite reasonably, have stated that it needs to be responded to; and I, in turn, agree with that. It is how you go about responding to it that we are considering here.

2610 Sir, aside from everything else that I have drawn attention to, I do not want people to be in harness longer than they have to be. The fact is people can work beyond retirement age now and they choose to, and they will do so in the future if they feel fit and able enough to do so.

2615 Sir, we live in a world where economic matters are the dominant factors and it is very easy to lose sight of the fact that life is about more than work. The pace of modern life, anxiety and stress levels are on the increase and there is no sign of them abating. The very particular pressures associated with life today – issues to do with mental and emotional health are very evident. These are the direct products of the society that we live in.

2620 Sir, there was a time when, if people were lucky enough to reach pension age, many of them were so exhausted, so physically worn out, that they did not survive much beyond retirement. Thankfully, that has changed, but there are different types of pressures now. The issues that I have just alluded to, plus the wear and tear of manual work, takes its toll and will continue to do so. That is why I think it is important that the people can look forward to retiring at a reasonable age, with a reasonable pension, but at the same time with a model in place that sustains and secures the Social Insurance Fund and the pension pot.

2625 Sir, I have conferred at some length with the Social Security Department. They already have a number of models and projections to hand and could possibly create a few more, depending of course on the uprating policy and so on. They have looked at 67 and they have even looked at 68.

2630 Sir, I am asking Members to approve this amendment and allow the Social Security Department to bring those models back to the States so that we can look at them and consider an age other than 70.

Thank you sir.

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

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

The Deputy Bailiff: Thank you very much.

Amendment by Deputies Fallaize and Green:

Not carried – Pour 20, Contre 25, Ne vote pas 0, Absent 2

POUR

Deputy Fallaize
Deputy Laurie Queripel
Deputy Lowe
Deputy Le Lièvre
Deputy Green
Deputy Dorey
Deputy Brouard
Deputy Wilkie
Deputy De Lisle
Deputy Burford
Deputy Soulsby

CONTRE

Deputy St Pier
Deputy Stewart
Deputy Gillson
Deputy Le Pelley
Deputy Ogier
Deputy Trott
Deputy David Jones
Deputy Spruce
Deputy Collins
Deputy Duquemin
Deputy Paint

NE VOTE PAS

None

ABSENT

Deputy Le Tocq
Deputy Storey

Deputy Sillars	Deputy James
Deputy O'Hara	Deputy Adam
Deputy Hadley	Deputy Perrot
Deputy Brehaut	Deputy Inglis
Deputy Robert Jones	Deputy Luxon
Deputy Sherbourne	Deputy Quin
Deputy Conder	Alderney Rep. Jean
Deputy Bebb	Alderney Rep. McKinley
Deputy Lester Queripel	Deputy Harwood
	Deputy Kuttelwascher
	Deputy Domaille
	Deputy Langlois
	Deputy Le Clerc
	Deputy Gollop

2640 **The Deputy Bailiff:** Before I call anyone to speak in the debate on this amendment, let me formally declare the results of the amendment that was proposed by Deputy Fallaize and seconded by Deputy Green. There voted Pour 20, Contre 25. I therefore declare the amendment lost.

Deputy St Pier.

2645 **Deputy St Pier:** Thank you, sir.
First of all, just setting the scene in relation to pensions, of course this is one of the easier challenges that we have in terms of being able to predict the consequences of action, or indeed inaction. The projected costs will increase substantially, but thanks to the reserves that we do have, through the Insurance Fund, they are not unmanageable. Currently, we have about six years of funding and the proposals that are before you would envisage that falling to no lower than two years' funding. Still a very long way from a fully-funded scheme, but nonetheless a substantial cushion compared to many other jurisdictions.

2650 The Social Security Department have tried three times to increase contribution rates in relation to this particular issue and have not been successful. So, because of this and recognising other pressures on spending, we are presenting this package as a way of dealing with the problem, ensuring that we can retain a two-year buffer, but avoid increasing contributions for pensions. It does, of course, mean a less generous policy for uprating, but one still above inflation in the medium term, and, of course, it means this change in pension age and a slow increase to 70 by 2049.

2660 Of course, as I noted in my opening speech, sir, that could help alleviate some of the reduction in the working age population. Sir, I think it is worth just noting the IMF's comments in relation to their advice to us on this. They did note that the proposals were very much in keeping with OECD standards and in appendix 5 of the Report that Members have before them – appendix 5f – it is worth noting what is going on elsewhere; because, as we have said, and as I think is widely recognised, this is not a unique problem.

2665 Australia agreed last year, in its 2014 federal Budget, to increase the pension age to 70 by 2035, 14 years before we are suggesting. The UK has stated their intention to link the UK pension age to life expectancy, which would see pension age reach 68 by the mid-2030's and 69 by the 2040's to very much in line with our proposals. Ireland has announced an increase in the pension age to 68 by 2028; the Netherlands increasing their pension age to 67 by 2023, so again somewhat earlier than our 2031; and, of course, the Isle of Man published their proposals last year to increase the State pension age to 74 by the early 2070's. (*Interjection*)

The IMF went on to say:

'in terms of retirement age increase the proposed schedule is rather cautious, both in terms of commencement and the rate of increase. Increases at rates higher than two months per year are not uncommon among European countries, and the Government may wish to consider rates of four or six months a year'

2675 – which was a view quite strongly held amongst the Joint Boards actually.

'Increasing retirement age to 67 from 65 can be concluded by the early 20's, which again is the experience of the other countries that I referred to, instead of 2031 as currently legislated, and the continuing increases to 70 may then proceed at a somewhat slower pace concluding before the currently suggested year of 2049.'

So, dealing with this particular amendment, which is not to actually *not* move to 70 but merely to direct the investigation of securing the sustainability without having to do so. Sir, that work really has been done and I do refer those that are moving this motion to appendix 5. It would mean that we would either have an increase in contributions, which would be in the region of 0.4% to 1.4% – that is one option – or it is a less generous uprating policy; and, as was noted, also recognising that we may then also lose some in our working age population later down the track.

Between 1975 and 2031, which is the current date when it will move to 67, life expectancy will have increased by 10 or 11 years longer than it was in 1965, but we have only agreed to increase the pension age by two years. So this amendment, sir, is very much in the category of postponing a difficult decision. The facts are there, the work has already been done, the choices, in one sense, are simple: if we do not want to change the retirement age, then we have to accept an increase in contributions and/or a less generous uprating policy.

For that reason, I can see no merit in further investigations and I urge Members to reject this amendment, sir.

The Deputy Bailiff: Deputy Conder, to be followed by Deputy Stewart.

Deputy Conder: Thank you, sir.

Sir, in some ways it pains me to oppose this amendment because Deputy Laurie Queripel is obviously so well-intentioned and so passionate about that and he presented his case very well.

It is not, of course, just manual workers who might struggle to work in their existing occupation, and working in the same way as they have all their life, until 70. It would apply to my profession as well, of teaching.

There are not too many people, I suspect, who would want to be taught by an old professor of 66 or 70, and indeed nor would those teachers want to do that. But it is not really, in my opinion, about that; it is not about continuing to work exactly the same way as you have until a retirement age of 70. I will return to that in a moment.

Sir, just a word about the history of the statutory old age pension. I guess many of you are aware, of course, that an old age pension was introduced in the UK in the early years of the last century.: introduced by the joint efforts of Lloyd George and Winston Churchill, who were then members of the Liberal Government of Asquith. At that time the average age of death for men was 67 and women just a little bit older. The pension was brought in at 65 with the assumption that the State would be providing an old age pension to a man of 65 for two years.

Women actually had a lower pension age because very, very few women had worked or had any pension of their own and, because, on average, in those days women were married to men five years older than them, they assumed they would be widowed at 60 so they were given a pension – a very modest pension, of course, at that time at the age of 60 – and that is now being redressed.

I would just like to return to the issue that Deputy Laurie Queripel mentioned about longevity and, if he will forgive me, I will just correct him. The very latest research – and it is in the last few days, and it is well founded; I think it is probably quoted in *The Lancet*; it is certainly well founded – is that most 20-to-30-year-olds now alive can expect to live until 90 – men and women – because men's longevity is now catching up with women because... (*Interjection*) with voices off to my right possibly it is a shame, but that is a fact, and there are lots of reasons for that. That men are not smoking as much, women are out in the workplace and being stressed more, men do not go to war as much – thank goodness. But that is reality. They are likely to live to 90 now.

If we leave the retirement age at 67 that means that the Fund, or the taxpayer, is going to be funding people for 23 years – not two, 23 years – and we already heard about the declining demographic in terms of working population. That, in my opinion, is not sustainable. Indeed, I

believe, and I think I have gone on public record to say, that I suspect the pension age, well before 2049, will have to be rather more than 70 – and Deputy Laurie Queripel did mention that in his speech.

2730 The answer to this surely is two-fold – one that there can no longer be an expectation the old age pension will be the sole source of income for people when they retire. This Government, and future Governments, have to make it easy, either from tax relief or easy savings schemes, for individuals to provide part of their old age pension income from their own resources that they have acquired and put aside throughout their working life.

2735 Now, clearly, that is easier for some people than others, and it is for a Government to make it as easy as possible and financially advantageous as possible, for those people to provide an income, so that they do not have to retire at 70 because that is the only income they have. If they choose to retire at 65 or 67, well, they will be able to live off their self-provided additional pension, until such time as the old age pension is an addition to see them through their later years – an addition to their income.

2740 I will just turn for a moment, if I might, to an area that I know a little bit about, certainly within this Island, and Deputy Queripel did make the very good point that not everybody can benefit from training, but of course that is, individuals should not be expected to be doing hard manual labour until they are 70 – actually nor should infant teachers be expected to be in the classroom until they are 70.

2745 We have to provide... Before I come to that, individuals are going to have two, three, four or five careers throughout their lifetime. We have to provide opportunities for individuals to anticipate declining physical powers and to provide opportunities for them to make contributions – remunerated contributions – in different areas of society. I do not think it is sufficient to say, 'Well, you cannot expect manual labourers or teachers to do something completely different.'

2750 Actually everybody has potential. All they need to be given is opportunities.

So, colleagues, with great regret, because I have such admiration for Deputy Laurie Queripel and his good intentions, I cannot support this amendment; but I hope he will accept that it is not as cut and dried as perhaps he suggests – that people are going to have to continue in their existing profession through until they are 70.

2755 I think we have to explore alternatives of Government supporting individuals to fund their own pensions to some extent – not exclusively, the States still has a responsibility – and to provide as many opportunities as we can for individuals to move into second and third careers in the last decade of their working life.

2760 So, colleagues, I will not support this amendment, with some regret, but I applaud Deputy Queripel for bringing this to our attention.

Thank you.

The Deputy Bailiff: Deputy Stewart.

2765 **Deputy Stewart:** Deputy Bailiff.

Deputy Conder and I sit on Skills Guernsey so we have discussed a lot of this and some of the challenges that are going to be presented to us as a jurisdiction and an economy over the years. Most of what I was going to say Deputy Conder has said, so I will keep it really brief.

2770 Deputy Laurie Queripel talked about *Dan Dare* and his comics, and we are not going to try and turn *Desperate Dan* off the building site in a *Billy Whizz* over night or even *Dennis the Menace*, but this is really on the human side, and I totally agree with what Deputy Conder said.

2775 I think I am on my third or fourth career and, if we take Deputy Laurie Queripel himself, he has retrained himself as a politician, he is not actually hanging wallpaper and decorating at the moment, and actually, if I may say so, making a very good job of being a politician, (*Interjection*) with some excellent speeches that you have delivered to this Assembly.

You are a point in case. This is the proof, people do not go through their life with just one single talent; people go through their life often thinking, 'Do you know, I would like to have a go

at something else,' and it is about retraining and giving people those opportunities, because clearly even now a lot of people do not stay in very physical, demanding roles right up until the time they are 65. They do have to look for other things to do.

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If you just want to look at builders, they can become politicians, they can become people who then give back to society, they can teach their trades to other people – much less physically demanding. I know of one who has just trained recently to become a carer.

But people have more than one skill and part of the whole challenge to us, going forward, is that actually where Deputy Laurie Queripel, I think, is wrong is that the half-life now is much accelerated of everything. If you think of some of the things that remained fairly unchanged, or changed just a bit, over the course of most of the first part of the 20th century, towards the end of the 20th century into this 21st century, they have changed so quickly.

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Gramophone records really did not change much from the 1900's up until the 1970's when we started to get – or the late 1970's – CDs. They were the same technology, but CDs, cassette tapes, 8-tracks were all quickly overtaken by MP3s. You go into a modern radio station now and there is not one single record, not one single bit of tape. That was the technology for 60 years, and even that is now changed.

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So what we have got now is accelerated change and I firmly believe that during my granddaughter's life we are looking at even our transport strategy... in my granddaughter's life – she is three now – I expect by the time she is 50 people will look back and say, 'Did they really allow us to drive cars?' (*Interjection*) What are we going to do with all our taxi drivers?

2795

We are going to have a huge challenge. So I think this is about making sure that the States of Guernsey, Commerce & Employment, as we do now, work with Education, SSD, HSSD, to make sure that we are providing those opportunities for people to learn new skills wherever they are in their career, because life is changing.

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actually I have to agree, that possibly this will come back to the States anyway, because probably getting towards the late 2030's, 2040's, I totally agree with Deputy Conder, I think we will probably be reappraising this again, and that is a great thing to rejoice in. If we have to change it again, fantastic – that means people are living longer and health care is getting better.

2805

So I will not support this amendment and I ask other Members not to support the amendment, but what we will have to do is support people in their skills and present those opportunities to them later in life, and that work needs to start now and indeed that work has started now.

Thank you.

2810

The Deputy Bailiff: Deputy David Jones, to be followed by Deputy Brehaut.

Deputy David Jones: I think we need to sort of drag this back to the point that Deputy Queripel was trying to make, and that is that the jobs in manual work have not changed very much.

2815

They certainly changed a great deal in the business I was in, as things became more mechanised. The days are gone now when I used to get out of the cab and swing a big sledge hammer to knock the pins out of the bucket to change it. Now it is all automatic quick hitches. An excavator driver does not have to get out of the cab, pretty much. The same with farming. Farming has become almost totally mechanised.

2820

So things have changed, but there are jobs in the building industry that will never be mechanised – you will always need somebody to do them. It is as they get older... there are not companies who are going to have lots of back office jobs for people when they get to an age where it is more difficult for them to do the jobs, so I think what we do in the future and the way that we handle that is hugely important.

2825

I am not going to support the amendment, because the amendment asks for more investigation, and I think that this issue will have to come back. Companies will have to look at the way that they treat people as the retirement age gets longer, and they will have to make provisions for those people.

2830 Certainly, I think there are a lot of manual jobs. If you have been on a jackhammer for most of your working life at Ronez, then you are not going to want to do another few years doing that, and nor should you, but there will be... companies like Ronez are a lean, fit company; they are not going to keep people who are not as productive as they once were in some back office job doing nothing.

2835 That is the real problem. That is the challenge for us, as a Government, to make sure that people, as retirement age is extended – and it must be, it has to be... then we have to make provision for those people, and it may be actually cheaper for the Government to give financial incentives to companies to create back office jobs for these people.

2840 We do not really know, but I mean the modern technologies... and if you sit in front of a computer you can do that, I would suggest, for much longer than if you are swinging a pick on a road gang. There was not much of that going on on the Sea Front over the weekend, (*Laughter*) which is another question! (*Laughter*) That is, I think, the point that Deputy Laurie Queripel and Deputy Lester Queripel were trying to make but, as I say, I do not think that we should send T&R and the Joint Committees away, using more valuable time that they need to get to grips with some of the others, to investigate this because I think there will be an actual progression through this States, whoever is here in years to come, to make sure that these people are covered and they are catered for as the retirement age is extended.

2845 Thank you.

2850 **The Deputy Bailiff:** Deputy Brehaut.

Deputy Brehaut: Thank you, sir.

I will just be brief. I was sympathetic to the amendment. I understand Deputy Laurie Queripel used the term 'to keep people in harness'. Quite an interesting image of people literally being flogged to get the last three years out of them!

2855 I just pose the question really: what is the physical deterioration or the real difference in somebody aged 67 and 70? (*Interjection*). In my experience, people who do manual work now for a living, whether they are builders – and there may be a 65-year-old that appears at your house or your home to do work – generally they will not be doing the real hard graft, because actually the people they work with are generally kind people who assist them and respect their experience, and shoulder the burden for them.

2860 I think the problem has been, if you like... the conversation within the community has been that both the radio and the TV and, at times, other forms of media have been asking 60-year-old people, 'How do you feel about working another 10 years?' when, of course, they do not need to be doing that.

2865 Society is changing. If I think of – my father died long before he was of even pensionable age – but if I think of my father-in-law who retired at 65, 65 years old was when he began to work, because it was when he really wanted to do very much more when he was not tied into the pattern of working for the Forestry Commission.

2870 I am also wary I do not want to weary of victimising or being, for the best reasons, ageist about very capable people who have a great deal to offer and perhaps patronise them by saying, 'Shouldn't you be at home listening to your vinyl collection? Sat at home listening to the Father of the House?' Matt Fallaize or something like that. (*Laughter*)

2875 Sounds like a crass statement of the obvious but some very capable and able 70-year-olds out there have got a lot more to give and let them keep giving to the community.

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

The Deputy Bailiff: Deputy Hadley, to be followed by Deputy Inglis.

2880 **Deputy Hadley:** Mr Deputy Bailiff.

2885 My understanding is that if we passed both of these amendments today we would actually be reducing the retirement age back down to 65, because by deleting proposal 14 we would be, as I say, reducing the age to 65. In fact, I have argued that Health costs are going to increase enormously because of older people living longer. It, therefore, is quite logical that you have got to push the retirement age up, as Deputy Conder said, beyond 70, in time. We cannot have practically everybody on the Island retired and not productive.

Thank you.

2890 **The Deputy Bailiff:** Mr Procureur, do you just want to pick up that point about Proposition 14, please?

2895 **The Procureur:** Yes, just to clarify, we do not have any Rule or understanding that the deletion of a Proposition to rescind a Resolution somehow sort of reinstates what there was before the Resolution. So, I mean, the Resolution to increase from 65 to 67 will, of course, remain.

The Deputy Bailiff: Yes, thank you.
Deputy Inglis.

2900 **Deputy Inglis:** Thank you, Mr Deputy Bailiff.
I have got a lot of sympathy with Deputy Laurie Queripel's amendment, but I would like to put the employer's side of this.

2905 It is assumed that we do want to flog employees to death, but the most important thing, as an employer, is you value the people that work for you. It is very expensive employing people and therefore it is very important that you achieve the best out of that person, not only for your sake but also for them as well.

2910 Now, Deputy Queripel knows that we are very much in the business that he strongly talks about and I have found – and I have got examples of people that have recognised the problems associated with the creep of old age – they have made decisions to move into other areas that quite honestly did surprise me. I think it is very much the world we live in now, where it is quite astonishing the people that are internet-savvy, who can see opportunities in other areas that make them think maybe that is for me and, as has been mentioned by several people, there are three or four careers within a working person. Deputy Conder raised some very good points about the fact that people will look to change in their approach.

2915 Deputy Jones talks about Government lead. I think he is absolutely right. As the biggest employer in this Island, I think they are looking to change attitudes. In my own business we talk of, and we have been promoting for the last 10 years, better ways of working. We are a bit disingenuous from looking at what manual workers perceive as the hardest job in the world, but sitting in front of a computer screen, for some people, can be very stressful, can be very painful, and therefore employers have to look at better ways of working with those individuals.

2920 I think we have some areas within our business world that really need to start thinking about their policies. There are businesses within the finance sector that throw people out at 60. They do not see it as an important part of their business plan and that, I think, is very disingenuous to their ability.

2925 We talk about the myth that young people will be affected. I have never seen that occur. If anything, the young person is coming into a world that has got lots of knowledge and lots of experience that wants to be passed on.

2930 The internet is only just over 25 years old. There are a lot of us in this Assembly who had to learn to use the internet and understand what computers are about. There is a generation coming through that really – the jobs for them – 35 years ago those jobs were not there, so they are now enjoying the fruits of changing and there seems to be some reluctance to understand that changes will happen.

Maybe Deputy Queripel will concur that houses are literally put together in pre-block format nowadays. They are not going through the consequences of constant labour requirements. So they are, in fact, changing.

2935 Sir, as I said, jobs that 35-year-olds do now just did not exist for us and, who knows – we are giving a lead in on this of 35 years – what the job market will be looking to do.

I can only re-empathise that an employer really does value his workforce. He must accept and understand that he is only as good as the people around him, so for him to develop and nurture that resource in the best possible way can only be good for that individual, and for e-commerce and the economy, to ensure that we do have a thriving workforce.

I cannot support this and I ask Members to do likewise.

Thank you, Mr Deputy Bailiff.

The Deputy Bailiff: Deputy Domaille.

2945

Deputy Domaille: Thank you, sir.

I will just be very brief. I do sort of understand the rationale behind the amendment. I will not be supporting it. However, I just wish to make two comments.

2950 The first comment is regarding this whole Report actually, as sort of a beginning of a journey, and I am very sure that right by the end of this journey; it will look nothing like what we have in front of us, (**A Member:** Hear, hear.) so I am not getting too intense on some of the detail.

I would just point out two things on this particular section. One is that I think it would be very helpful if we actually had some comparisons of other jurisdictions in the Report, because I think we need to see what else they are doing elsewhere.

2955 The second one would be that... If I have missed it, I apologise but I have not seen it. And the other bit is where it talks about support for an older workforce and direct from Social Security Department. To me, this is much more about people, as we move through the next 35 years, or whatever it is, exiting a particular profession or job and moving to a new one or a different one and, as such, it seems to me that it would be much better if it was a Commerce & Employment, rather than Social Security, matter.

2960

Thank you, sir.

The Deputy Bailiff: Deputy Gollop.

2965 **Deputy Gollop:** Sir, I agree with what Deputy Domaille has just said but, of course, in a way, it comes back to a discussion Deputy Conder and others have already stated – that we need a debate on skills.

2970 I am aware last night that the new principle of dynamically leading an initiative – other initiatives too – to very much bring in greater partnerships for the private and voluntary sector with the College of Further Education, and I really think that actually it is not just a Social Security matter or even a Commerce & Employment matter; it is a States-wide initiative that needs to embrace Education as well.

2975 Lifelong learning, because I think Deputy Perrot earlier mentioned, in relation to an earlier matter, the dirigiste economy. The idea of a State-run entity. Now, the reality is Guernsey is not, and will not, become a State-planned socialist Republic of Sarnia. I mean, if you do not have that mentality, then you have broadly-speaking a free market in jobs.

2980 We are not where the Soviet bloc used to be, whereby there was a degree of centralised planning in terms of jobs for everybody to do. In that context, if you go into a career or a profession, which is demanding physically, you have to expect that you will not be doing that job in your 60's.

Just like if you go in for certain active sports you may be a champion in your 20's, 30's or even 40's but you are unlikely to be a sporting professional at a later point in your life, unless you are a

good shot like Deputy Quin – but that is another matter! The point I am making is that you have to be focused on that and we do need to bear that in mind.

2985 I cannot support the amendment for another reason – because Deputy Laurie Queripel, I recall, was very much querying a Social Security Board attempt just a few months ago, to raise the level of contributions. Now, we are aware that should we adopt the logic of this amendment and place 67 as our cap, the alternative to people not working longer is higher and higher social insurance rates. Now, we know already that the Assembly seems to find that unpalatable, so it would be
2990 irresponsible to go down that route at the present time.

The Deputy Bailiff: Deputy Le Clerc, to be followed by Deputy Quin.

2995 **Deputy Le Clerc:** Sir, it is just to clarify to Deputy Domaille, I think in the Report – and I think Deputy St Pier referred to it earlier – there is some data on other countries and retirement ages.

Again, just to clarify a point that Deputy Domaille and Deputy Gollop have made, the Skills Guernsey is a combination of Social Security Department, HSSD, Commerce & Employment and Education, all working together with business, to look at the long-term needs of all employer sectors and employee skills – and that will be on-going.

3000 So that is a big piece of work. I actually took heart and I took a photocopy of *The Press* today because the College of Further Education are also working with Skills Guernsey as part of this, to look at the continuing needs of employers and employees, and I think, by the time people do retire at 70, it will be a different work place.

3005 I know that someone who was a fisherman, who is now working in the care sector, said it was the best thing he has ever done. So people will need to change and adapt, but I believe that the Guernsey people will find a way to change and adapt – that is our nature.

Thank you.

The Deputy Bailiff: Deputy Quin.

3010

Deputy Quin: Thank you, sir.

3015 I have a lot of sympathy for Deputy Laurie Queripel. Like him, I was on the building for many years and I have been getting my ear bent ferociously recently by people who are on the building or just finishing. But I raised this with Deputy Allister Langlois at a public meeting we had. This has not been sold to the public. People think it is going to happen tomorrow. I did raise that at the time and he keeps saying, 'Well, this is not until – the amount of time that you have got to pick up your second careers or third careers' – in my case about 50 careers – but people are talking about retiring at 65. Well, some of us keep going. In fact, last Wednesday one of our Culture & Leisure gentlemen brought me a cake with a candle on – Deputy Duquemin; small cake with one candle.
3020 He couldn't get the other 74 on! (*Laughter*)

I cannot support this because if Deputy Laurie Queripel is asking for this to be re-looked at, it has been re-looked at time and time again, and I do not agree with his theory that things will not get different.

3025 Deputy Jones has pointed out what happens to digger drivers. If you look at the wonderful job that is being done at St Martin's by the Housing Association (**A Member:** Hear, hear.) and you look at the equipment on there.

3030 Another thing – 1960, I was working at the Airport, laying the first of the runways. It was manual, I was a 20-year-old, strapping young fellow, loved it all – but things have changed, drastically! (*Laughter*) But I went up to the Airport where they were recently laying and it was like something from one of the comics that Deputy Queripel spoke about. Totally, totally different. Things have changed. Things will continue to change.

I would like to be able to support him and say, yes, but there is no point in looking at it again; we have done all that. We have to settle down and I am looking forward to my next birthday cake! (*Laughter*)

3035 **The Deputy Bailiff:** Deputy Lester Queripel.

Deputy Lester Queripel: Thank you, sir.

3040 The questions I find myself asking are these. Where are all the easier jobs for 68 and 69-year-olds who work in jobs that are physically demanding? Will there be enough vacancies for the hundreds, possibly thousands, of people who will be in need of those jobs if the proposals to increase the pension age go through? Other questions I find myself asking are: is the majority of employers really going to employ someone in their late 60's when they have the option of employing a younger person?

3045 Of course, the other side of that is: won't young people struggle to find jobs as a result of older people staying in the workforce longer? Will a 68 or 69-year-old road sweeper or gardener or window cleaner or garage mechanic or mechanical engineer or nurse or teacher or cleaner or carpenter or plumber or block layer or policeman or policewoman or traffic warden or school caretaker or roofer or scaffolder really be able to compete with a much younger person?

3050 Well, they may be able to, as long as they are in good health. More than likely they will be struggling with all sorts of repetitive strain injuries by then. I have not even mentioned delivery drivers who deliver heavy goods and the men and women who deliver milk and newspapers.

Sir, my brother, Deputy Laurie Queripel, mentioned getting in and out of a van 100 times a day whilst delivering newspapers, but that is only to 50 customers; some people in the trades deliver to a lot more customers than that.

3055 The results of a recent survey reveal that people who deliver milk and newspapers have to have more hip and knee replacements than people in any other profession. As my brother has already said, the apparent switch to automation has been much overplayed. Here is a prime example of where it has been overplayed, because it seems unlikely to me that we will ever see a mechanical figure, made of metal or plastic or some other material, delivering our milk and our newspapers.

3060 The same must surely apply to delivery drivers who deliver heavy goods. Yes, they have sack trucks to help them transport the goods, but they have to physically load the sack truck with the goods, wheel the sack truck to wherever it has to go and physically unload it once they reach their destination. So surely it is no wonder they often suffer repetitive strain injuries in later life.

3065 In my own personal case, sir, apart from three years in my late 20's, when I worked as a manager in a record shop in London, I worked for 42 years as a decorator. Even though I ran my own business for almost 30 years, I still had to do the same things every working day for all of those 42 years. Climbing ladders and steps, twisting and turning, balancing on planks, trying to smooth out wallpaper for 42 years, has left me with an extremely painful repetitive strain injury in my right shoulder and an extremely painful repetitive strain injury in my right hip. In fact, it got to the point three years ago where if I had not been elected into this Assembly I would have had to have found some other way of earning a living. *(Laughter)*

3070 In other words, sir, it got so bad I could not continue, so I would have been looking for another job at 60 years of age. So I think it is absolutely vital that my colleagues bear in mind the issue of repetitive strain injuries when they come to vote. Also in my 42 years in the trade, hardly anything changed to make the job any easier and absolutely nothing has been automated.

3075 Sir, my father was a caretaker of the Foulon Cemetery for many years. When he first started working there the graves were dug my men using shovels and spades. By the time he retired the graves were dug with mechanical diggers, but everything else, as my brother has already alluded to, was done, and is still done, manually.

3080 Grass and hedges are cut by hand; flower beds are weeded by hand; the paths are kept clean by hand; rubbish bins are emptied by hand; maintenance and cleaning of the Crematorium is done by hand etc. In all of those years, the only thing that changed was that mechanical diggers were introduced to dig the graves.

3085 Sir, another thing I would like to ask my colleagues to bear in mind is the fact that there are hundreds, maybe even thousands, of grandparents who look after their children to enable their

own children to go out to work to full-time jobs. In fact, there was a lady at the presentation at Beaucamps School who focused on that very issue.

3090 Regarding the issue of retraining – retraining costs money. In a very real sense, I have retrained twice in recent years and it has cost me thousands of pounds. I trained as a complementary therapist approximately 18 years ago, because I really wanted to be a reflexologist, but after about eight years I was starting to get repetitive strain injuries in my thumb joints (*Laughter*) so, sir, unfortunately, I could not carry on in that profession. (*Interjections*) I am just riddled with repetitive strain injuries, sir! (*Laughter*)

3095 So I had to have a rethink and because I had a fascination for politics, I began to think about what it would take to become a Deputy, so I started to attend all sorts of evening classes, States' debates and presentations and, once again, it cost me thousands of pounds, because I did not get elected in 2008, and I carried on with all the evening classes and taking days of work to attend States' debates. In fact, I sat in the Public Gallery in this Chamber 54 times for the whole day, at
3100 my own expense.

The point I am making here, sir, is that I can afford to retrain, but many Islanders cannot afford to retrain. That is the point I would like my colleagues to bear in mind also when they come to vote.

3105 It seems to me that the operative word in this issue, like many other issues, is 'balance'. I think that balance was struck when 67 was set as the age when someone receives their pension, because if someone feels like carrying on working after they have reached the age of 67 then I think that should be their choice. I am sure we all know pensioners in their late 60's, early 70's who have part-time manual jobs. The ones I know tell me they really enjoy those jobs, but they can only do them because they are part-time – 15, 20 hours a week. They tell me they could not
3110 possibly do the job if it was full-time.

3115 Sir, to conclude, someone leaving school at 16 years of age and working until they are 67 would have contributed to the system for over 50 years by the time they receive their pension. They would have lived by the clock for over 50 years and surely, by the time they reach the autumn of their lives, they deserve to be free of that sort of pressure, that sort of regulation and enjoy the quality of life we often speak of.

3120 In fact, sir, as my colleagues know, that is the number one Statement of Aims of our very own States' Strategic Plan – to improve the quality of life of Islanders. With that Statement of Aims uppermost in my mind, sir, I feel that forcing people to work until they are 70 years old, especially in a labour intensive job, really is a bridge too far. I can only hope the majority of my colleagues agree with me, because there are other ways in which we can acquire the money we need to ensure our benefits system is sustainable.

Thank you, sir.

The Deputy Bailiff: Deputy Wilkie.

3125

Deputy Wilkie: Thank you, sir.

3130 I will be brief. I have some reservations about Proposition 13. I think we all know that, due to the longer lives our Islanders are now enjoying, the retirement age will need to increase. However, I do agree with Deputy Queripel's arguments that Islanders carrying out manual work may well be so worn out by 65 or 67, they cannot carry on working.

3135 Now, I have just heard some talk about people changing their careers. How on earth are you going to retrain an entire generation of manual workers when they reach their mid-60's? (**A Member:** Hear, hear.) (*Interjections*) to think that training will actually happen would be foolhardy in the extreme. There are only going to be a finite number of jobs for these workers. What will probably happen is that these workers will end up on incapacity benefits for three years until they reach 70, which is 12.5% less than the old age pension.

Do we require an insurance scheme for these workers? We may do. I would ask that Social Security gives this issue some thought in the future. Do we need a pension scheme for any

3140 incapacitated person who will never be able to work again? These are questions that still need answering.

Because there is no provision or mitigation for these workers presently, I will be supporting this amendment.

Thank you, sir.

3145 **The Deputy Bailiff:** Well, Members of the States I do not see anyone else rising, but it is 5.30 p.m. Is it your wish that we hear from the Minister of the Social Security Department and then the proposer of this amendment and conclude this item this evening? Those in favour of continuing; those against.

3150 *Members voted Pour.*

The Deputy Bailiff: I invite the Minister to speak then, Deputy Allister Langlois.

Deputy Langlois: Thank you, sir.

3155 I will do that very briefly – if I can get the chair out of the way.

I will not go into great detail or try to reply to lots of the points that have been made. The main theme that has emerged from this debate has revolved around the issue of manual work and the transition into pension age and so on.

3160 All the way through this, both Committees have acknowledged that there is work to be done, and that the States, as an employer, must set an example that life is changing. There are many, many different models of how work can move on.

3165 I will give you one very brief example. I spent 25 years doing job analysis and consultancy work with different types of jobs, and changing skills and so on. If you take, for example – a very unlikely area for a lesson to be learned on this – the meat and poultry industry, in abattoirs and the like, has jobs where you have to carry half an animal across the floor. That is still the case, even though it has got a massive level of automation. I have seen many meat and poultry factories where only people in their 20's through to about 35 do that job, and then they move on to other bits of the line and, however old you are, you are doing work which is appropriate to your capability.

3170 Now we are into capability analysis in employment in all sorts of ways these days. We have got the Equality Agenda, we have got all sorts of aspects of making sure that people have access to jobs of the right sort – and that will continue. That skills development will continue. So there are many, many different ways.

3175 No, we will not have to retrain a complete generation in one go. We will simply have to give recognition... Somebody was pouring scorn on the possibility that people can only do a part-time job. Many people only do a part-time job. That is not a problem; it is not a crime.

3180 One of the points we covered... Deputy Le Clerc mentioned Skills Guernsey and the joint work between Departments. The way I would see the transition, for Deputy Domaille's sake, is I disagree with him; I think, in terms of changing direction, it is actually more a Social Security than a Commerce & Employment matter. Commerce & Employment are there to grow the economy to promote new start-ups and all that sort of stuff. The Social Security Department actually deals on a daily basis with people who are in transition and, therefore, I think it involves both Departments.

3185 I make the comment solely because – I think I am in the unusual position of agreeing with a complete speech from Deputy Brehaut, but I agree with him – I think in all of this we have got to be very, very careful about not going down the ageist route.

3190 I am sufficiently long in the tooth that I am just beginning to feel the edge of occasional comments of... You know me, I like a joke, I am quite happy to take the mickey out of myself, but it is so easy to be offensive once you get beyond a certain age. We have got a whole batch of people here that we are talking about in the future. People are not, by and large, past it at 65. That is the way life is going to carry on changing. So let's not talk that way.

3195 Finally, just in terms of comments made, sir, I have to agree with Deputy Quin. His comment about this has not been well sold could be applied to a number of areas of this Report, because the Report is so large and complex, getting these sort of points over in public meetings and the like has not been easy. I would accept his criticism 100%, because we are dealing with very complex matters here.

But, please, please, do not accept this amendment. It is the right thing for Guernsey, it is following the pattern of the rest of the world and, in this particular case, it is something we should do.

3200 **The Deputy Bailiff:** So I turn, finally, to Deputy Laurie Queripel, the proposer of the amendment, to reply to the debate on it.

Deputy Laurie Queripel: Thank you, sir.

3205 Sir, I will try not to respond fully to every contribution made during the debate. I thank Members for their contributions. I thank Deputy Lester Queripel for seconding this amendment.

Deputy St Pier speaks about change being needed. Well, I am not saying change is not needed. I accept that and I take that on board, and that is why I am proposing what I am proposing. A look at other options and models to secure the fund, but still not increase the age beyond 67.

3210 Deputy St Pier speaks about other jurisdictions and what they are doing. Wouldn't it be a nice change if we actually were the leaders in progressive social policy, rather than following what others do, because they are doing it? He is right to say that some modelling has already been done. As I said during my opening speech, I have conferred at length with Social Security. I know several models exist in regard to increasing the age to 67 and to 68, but if I had tried to present a number of amendments that reflected all those models, we would be here to half past eight, not perhaps quarter to six.

3215 I thought it best to direct Social Security to come back with their models. We could look at them and then make a decision based on those.

3220 Deputy Conder – I do thank him for his kind words and he mentioned the age was 70 at one time, and so that seems to be the justification for making it 70 again. But, in my terms, that is regression – that is *regression*, not progression. If you go back to an age that was in place 80 or whatever years ago, I think that is regression, not progression. We can put a model in place – I cannot emphasise this enough – with a lower age than 70 that will be viable.

3225 I have to say again, I thought it made it very clear during my speech, my first-hand experience actually doing manual work; and observing manual work over all these years has proved to me that the nature of manual work has not changed a great deal – it has changed somewhat, not a great deal – and I am not at all convinced it will change a great deal in the next 20 or 30 years...

3230 Deputy Conder also spoke about the life expectancy levels and he is saying that they are – I think, probably, he has got his figures from a national or an international survey, but actually based on HSSD's own figures, life expectancy has levelled out over the last few years, on Guernsey figures.

Sir, retiring at 70, regardless of everything that Members have said that oppose this amendment, will be a grim reality for people who have done labour intensive work for all of their lives. The wear and tear aspect, the repetitive aspect of the work – that will not change.

3235 Also Deputy Conder spoke about – and I understand this point, and ideally everybody would do it – making provision for themselves by taking out a second pension or saving money. But the ironic part about this is the people who do the manual work, that do the most labour intensive work, are not generally speaking paid very generous sums of money. They just do not have the disposable income to put money aside to ensure that they make provision for themselves in the future for their later years. I thank Deputy Conder for also acknowledging that this is something that needed to be debated. This is something that the Assembly needed to have a debate on, and to put forward their opinions and to at least consider the options that have been presented.

3240

3245 Once again, Deputy Stewart – I thank him for his kind comments and I know he made some of
the same points as Deputy Conder, and he said that I am a prime example of somebody who can
change their careers from a sort of labour intensive job to something different. But, of course, that
was not my choice, that was the electorate’s choice! (*Laughter*) I am sure I am one of many people
who have stood in elections who have come from trade backgrounds and manual worker
backgrounds, but I am not sure that I am one of many who have actually been successful in being
elected. So it is not really a viable choice for manual workers to seek to become politicians, I don’t
3250 think, or expect a great success rate in that area; but I do accept the points that he has made.

Then he spoke about the advancement in technologies from wax records to CDs and now they
have been superseded by MP3s. Well, that may be the case in some areas, but the last I looked,
the labourers were still hammering and digging and carrying things about. There has not been
much advancement in regard to technology in regard to a labour intensive work. There may have
3255 been in other areas, but there certainly has not been in that area.

Deputy Dave Jones – I thank him for some of the points he made. I already went through the
list of manual jobs that I think will not change a great deal over the next 20 or 30 years – and it is
an extensive list. I cannot see any way that the nature of those jobs is going to change very much
between now and 2049.

3260 Deputy Brehaut – I mean, this is not about ageism at all. Whether a retirement age is 65 or 67
or 70, a person can work beyond that age if they want to and I am sure in many cases that would
be welcomed by their employers, because of the experience they have gained and the abilities
that they have. So it is nothing to do with ageism; this is all about facing reality and facing the
fact, particularly from the angle of labour intensive work – that people will get to a certain age
and they will be feeling the effects of the repetitive nature and the difficult nature of manual work.
3265

I thank Deputy Inglis for the frank admission that employers seek to flog their employees to
death. That was an interesting admission and I know he did not mean it that way, sir. He too
spoke about the evolving workplace and I accept that, sir, but once again I think he is definitely
over estimating and being over optimistic about the change in the workplace environment in
3270 regard to manual work and the amount of alternative jobs that will be available to the mature
worker in the future. I just think that is incredibly optimistic.

Deputy Gollop spoke about retraining and reskilling, and I am really pleased that work is going
on and I am sure it will produce some positive results, but still nobody has identified these jobs
that mature workers will move into, when they will need to; and they will be a plethora of mature
workers if we are going to force people to work to 70.
3275

Sir, the reality is, regardless of what some Members have said, there are many over 60’s doing
manual work and they have to do it, they have got no choice, and if the age goes up to 70 they
will have to try and do manual work to the age of 70.

3280 Deputy Le Clerc – I thank her for her contribution, she mentioned once again Skills Guernsey
and she gave the example of one fisherman changing from fishing to something else. It is not a
very encouraging ratio if you can only give an example of one fisherman changing from his job to
doing something else.

I thank Deputy Wilkie for his contribution. I share his reservations and, as he says, there are not
any other measures in place at the moment to catch those people who cannot work until 70, and
will need some support. There is nothing in place for them and that is why I am encouraged by his
3285 comments and I thank him for his support.

Deputy Langlois, I think once again I understand the point he is making, but over emphasising
the retraining aspect and the availability of alternative jobs... I just do not think they will be there
in those numbers. At the moment, of course, the States are not a good example of workers being
3290 encouraged to work beyond retirement age or using the skills and experience that they have
accumulated, because they have to retire at retirement age. They are not encouraged to carry on.
So the States certainly have to change their attitude if we are going to make the best use of the
mature workers, sir.

3295 It is not about being ageist. I have said this to Deputy Brehaut and I now say it through you, sir,
to Deputy Langlois. It is nothing to do with that at all. Nobody is saying anybody is passed it
because they are 65 or 67 – not at all. That is not facing reality. They can carry on working if they
wish to. I am talking about the wear and tear – this is a fact, sir – that certain types of work will
visit upon people. They will take their strain. So, sir, there are many things to consider before we
commit to a decision age-wise.

3300 Sir, I ask Members to accept this amendment. It does not put anything in place, it simply
directs Social Security Department to carry out some modelling and bring something back to the
States. As I say, sir, I have conferred at some length with the Department and they do have a
number of models and probably could create a few more, bringing the rise to 67 forward a bit,
and they have also looked at 68. I would not mind them bringing that model back as well for
3305 information.

Sir, what is the justification for 70, aside from securing the Social Insurance Fund for the long
term, which could be done with other models involving a lower age. Yes, it is people living longer,
healthier lives that is the reason, sir. But it is also the argument that manual work will be
significantly easier in the near future. I do not buy that, for all the reasons I have given. I think the
3310 current nature of manual work will largely prevail for many, many years into the future.

So I think a progressive, advanced, enlightened society should only go to the later age if
absolutely necessary; our inclination should be to go to the lower age, as long as it still results in
the affordable sustainability of the Social Insurance Fund.

I would like to believe that we are in the business of giving people some hope. Yes, being
3315 responsible, and addressing the issues that need to be addressed, but in a reasonable manner.
And, yes, it has been mentioned to me prior to debate, that the operating policy is very, very
important and I agree with that and we do not know quite yet what operating policy will be in
place. But I think it is just as important to establish a principle that the pension age does not have
to go beyond 67. I think that would give people hope, sir, and it is good for their morale.

3320 I do not think it is progressive policy in any way, shape or form in any universe, or in any
language, to force people to work until 70.

Sir, there is another reason why it is not progressive; it is only the people who will have to work
to 70 that will really pay the price and they will be the very people who have done the more
3325 physical jobs. The jobs that cause more wear and tear, typically often the lower paid jobs. It will be
people in the higher paid jobs, the less physically demanding jobs, who have greater access to
disposable income, who can make greater provision for themselves. It is they who will be able to
choose to opt out before 70, so this current proposal is not best serving the people who really
need our help and really need our support.

I would ask Members to think very carefully about what I have said, sir, and to consider
3330 supporting this amendment.

Thank you, sir.

The Deputy Bailiff: Well, Members of the States, we –

3335 **Deputy Laurie Queripel:** Recorded vote, please, sir.

The Deputy Bailiff: We move to a recorded vote, on the amendment proposed by Deputy
Laurie Queripel, seconded by Deputy Lester Queripel, to delete Proposition 13 and substitute it,
and consequentially to delete Proposition 14.

3340 Deputy Greffier.

There was a recorded vote.

3345 **The Deputy Bailiff:** Well, Members of the States, whilst those votes are actually being tallied
up, can I just raise one matter with you? I am the optimist, you will realise, because I am going to

talk about amendments 7, 8 and 9 on the running order, in the hope that we get to them tomorrow. *(Laughter)*

3350 My intention is to take the three of them as a single debate, but then to have the votes called in that order. So that is just to give you forewarning. That has been something that we have dealt with, with the proposers and seconders of those three amendments, and therefore those of you thinking about the debates tomorrow that is the proposal at the moment.

*Amendment by Deputies Laurie Queripel and Lester Queripel:
Not carried – Pour 36, Contre 10, Ne vote pas 0, Absent 1*

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

3355 **The Deputy Bailiff:** Well, Members of the States, on the amendment proposed by Deputy Laurie Queripel, seconded by Deputy Lester Queripel, there voted Pour 10, Contre 36. Therefore, I declare the amendment lost.

We will now adjourn until 9.30 a.m. tomorrow morning.

The Assembly adjourned at 5.52 p.m.