P.2019/61

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

REVIEW OF THE FISCAL POLICY FRAMEWORK

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'Review of the Fiscal Policy Framework', dated 1 July 2019, they are of the opinion:

1) To adopt the Fiscal Policy Framework as outlined in the Policy Letter

The above propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

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POLICY & RESOURCES COMMITTEE

REVIEW OF THE FISCAL POLICY FRAMEWORK

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

1 July 2019

Dear Sir

1. Executive summary

1.1 Guernsey's Fiscal Policy Framework (the Framework) sets out the island's highest level of fiscal policy, establishing the boundaries within which more detailed policy should operate. The Framework provides a series of high-level principles which define these boundaries in terms of long-term fiscal balance and limits on revenues, deficits and debt. It is designed to endure across multiple political terms to promote stability and consistency in fiscal policy.

1.2 The States more detailed fiscal policy setting vehicles, the Medium Term Financial Plan (MTFP), the Medium Term Capital Plan (MTCP), the Annual Budget and the Social Security Annual Uprating Report, should operate subject to these principles. These fiscal policy vehicles are intended to work cohesively, setting progressively more detailed policy covering progressively shorter time frames.

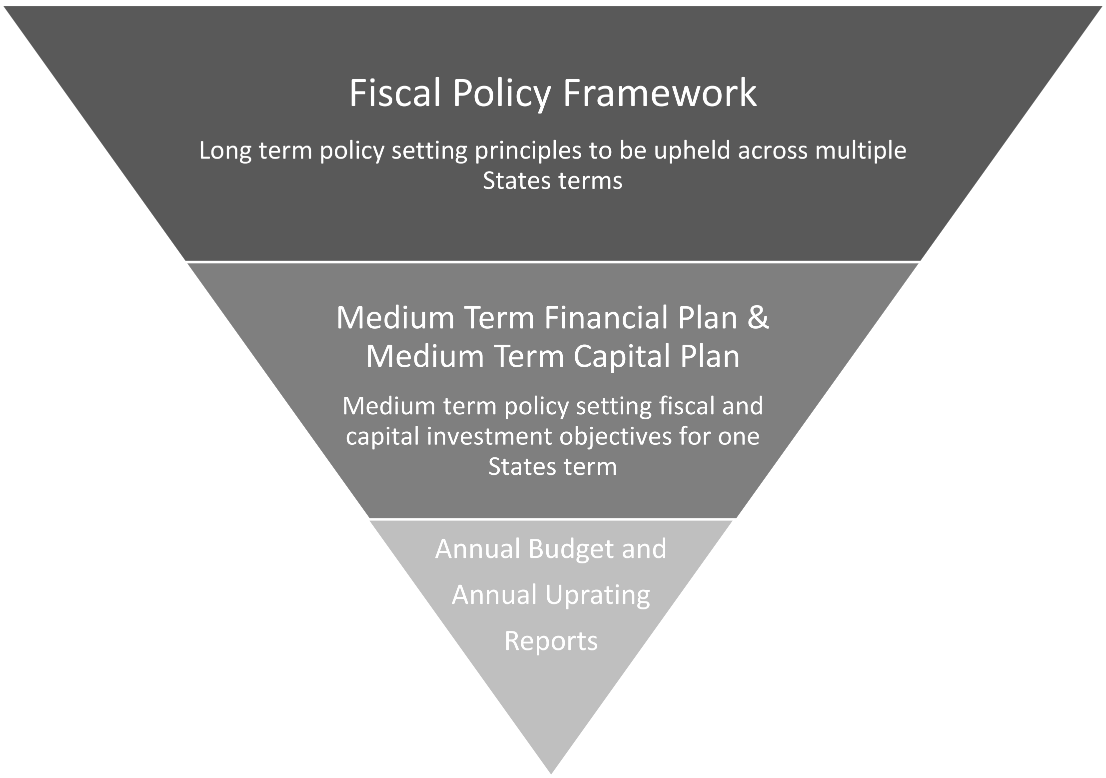
1.3 As the highest level of policy in this structure, the Framework is intended to set policy which should be applied in the long-term with few and infrequent changes. Policies which need to be more adaptable to the prevailing circumstances, requiring more frequent revision, should be set within the more detailed, shorter term policy vehicles. For example, the detailed response to a period of economic stress should be defined within the MTFP and implemented through the Annual Budget.

1.4 This structure is designed to ensure continuity and certainty in the application of long-term fiscal policy, while retaining the flexibility to adjust to conditions as they arise within the boundaries set. This provides some assurance to islanders about Guernsey's commitment to fiscal prudence, while retaining the freedom for each States to pursue more detailed objectives about how this is achieved. For example:

- this Framework sets a limit on the total amount of revenue that should be raised from residents and businesses;

- the current MTFP sets objectives to diversify how this revenue is raised and to take steps to raise revenue in a more progressive way;
- the 2017, 2018 and 2019 budgets implemented the withdrawal of personal tax allowances for higher earners, and the 2019 budget implemented the first phase of a tiered Tax of Real Property (TRP) system which applied higher rates to properties with a TRP value of more than 500.

Figure 1: Hierarchy of fiscal policy formation



1.5 This review of the Framework was made necessary by the revision of GDP[1] in 2017 and the beginning of a transition towards International Public Sector Accounting Standards (IPSAS) during 2018. The revised Framework presented continues the same general theme of prudent fiscal policy as the previous versions. However, the revised principles it presents have been amended to reflect the evolution of fiscal policy-making since its inception. These principles are summarised below:

Principle 1: **Guernsey's fiscal policy should operate on a principle of long-term permanent balance.**

Principle 2: **The annual net deficit reported on the general revenue accounts for any given year should not exceed 15% of operating revenues.**

Principle 3: **Annual net deficits reported in the general revenue accounts should not be allowed to persist for more than five consecutive years.**

[1] GDP: Gross Domestic Product is an internationally recognised measure of the size of an economy

Principle 4: **Measures to address any identified or anticipated deficit must be incorporated in the States Medium Term Financial Plan.**

- **This might include a combination of measures to reduce expenditure, raise revenues and stimulate growth appropriate to the circumstances of the deficit.**

Principle 5: **The aggregate amount of States' revenue, should not exceed 24% of GDP.**

- **This includes all forms of taxation from within general revenue, social security contributions and the operating income of Committees, but does not include the return on investments.**

Principle 6: **Total capital expenditure over any States term should be maintained at a level which reflects the need for long- and medium term investment in infrastructure and direct capital expenditure by the States should average no less than 1.5% of GDP per year over a four year period.**

- **This will be identified through the infrastructure plan and the Medium Term Capital Plan. The MTFP should ensure sufficient resources are allocated to deliver on these requirements.**
- **Direct capital expenditure includes any capital spending supported by recourse to general taxation or reserves.**

Principle 7: **The States' total debt should not exceed 15% of GDP.**

- **Gross debt can be deployed only to finance investment in infrastructure or assets.**
- **Any project or acquisition supported with recourse to government debt must be able to generate sufficient revenue to meet the repayment of that debt.**
- **The definition of debt includes any direct borrowing and contingent liabilities associated with guaranteeing the borrowing of States trading entities, States owned enterprises and Non-Government Organisations.**
- **Guarantees or assurances offered on the operational cash flow arrangements of the States trading entities and states owned enterprises (for example the guarantee of overdraft facilities) are excluded.**

2. History of the Fiscal Framework

2.1 The original Framework was agreed by the States in 2009 (Billet d'État XI, April 2009) and was intended *"to underline the credibility of fiscal policy and provide reassurance to taxpayers about the sustainability of future States spending plans".* The Framework was presented and agreed in the context of an anticipated deficit following the restructure of the corporate income tax system and proposals laid by the Treasury & Resources Department to borrow in order to finance part of the capital programme. While the States did not issue any debt until 2014, the Framework was adopted in full.

2.2 While it has been extended and amended, the basic tenets of the Framework, those of fiscal prudence and control, remain.

2.3 The most significant change to the Framework since its inception was an extension to incorporate the Social Security System in 2015 (Billet d'État IV, March 2015) to promote a more co-ordinated approach to raising revenues. This extension formally recognised the role Social Security Contributions play in supporting public services, the flow of money between the Social Security System and General Revenue, and the common impact that Contributions and general taxation have on the population. The extension also eliminates the potential for the Social Security System to become a vehicle for revenue raising outside the scope of the Framework. Further minor amendments were made to the Framework within the first Policy & Resource Plan in published 2016 (Billet d'État XXVIII, November 2016).

2.4 At the end of 2017, following a review of the methodology used to calculate GDP in Guernsey, undertaken with assistance from the Office of National Statistics, substantial revisions were made to the published GDP figures. Shortly after this, the first phase of work to transition the States Accounts towards the internationally accepted accounting framework, IPSAS, was implemented in 2018 with the publication of the 2017 accounts. This changed the definition of some of the income and expenditure measures reported in the accounts.

2.5 With the majority of the criteria outlined in the Framework comprising accounting measures benchmarked against GDP, these two changes combined prompted a need to conduct a full review of the Framework.

2.6 In addition to considering the Framework in light of the revisions to the data, the review also considers the development of Fiscal Policy in Guernsey over the decade since its first introduction, including clarifying how the Framework operates in the context of the medium term financial planning framework introduced in 2016.

2.7 In the 2017 Annual Independent Fiscal Policy Review the authors noted:

"The changes to the Island's GDP and the corresponding effect on the Fiscal Framework's rules… represents an opportunity for the island to re-evaluate its fiscal position, spending levels and core strategies"

3. Framework principles

Principle 1: Guernsey's fiscal policy should operate on a principle of long-term permanent balance.

3.1 This has been the governing principle of the Framework since its introduction and all subsequent principles stem from this. It means that, over the long-term, Guernsey should not spend more money on public services than it receives in revenues. While larger countries can, and sometimes do, sustain deficits for a sustained period, this can have damaging consequences as amply demonstrated during the sovereign debt crisis with its interlinked banking crisis.

3.2 Countries such as Greece and Ireland, which had accumulated a significant amount of government debt, found themselves unable to meet the repayments on that debt when the economic crisis of the late 2000s put their economies into recession. For Guernsey, a micro-economy with a heavy reliance on international trade, this is a particular threat. Short periods of modest deficits may be necessary or unavoidable, but they should be balanced by periods of surplus.

3.3 Long-term balance is about more than just balancing the Annual Budget. It is about managing the States' resources in the long-term to ensure fiscal sustainability. This principle will be supported with indicators which monitor:

i. The value of the Core Investment Reserve, recognising that the value of these assets should be increased over time in line with the current policy of targeting one year's revenues as the balance of the Reserve (as approved in the Medium Term Financial Plan 2017-2021).

ii. The long-term projections of the Guernsey Insurance Fund and the Guernsey Long Term Care Fund, recognising the planned drawdown of these funds to support demographic change and the aim to maintain these reserves with at least two years of expenditure (as referenced in the Personal Tax, Pensions and Benefits Review (Billet d'État IV, March 2015).

Principle 2: The annual net deficit reported on the general revenue accounts for any given year should not exceed 15% of operating revenues.

3.4 This principle sets out the maximum value of any deficit the States might have in any given year. Previously, this criterion has been set relative to GDP but the review concluded that it would be more appropriate to benchmark the size of the deficit against the operating revenue raised from general taxation[2]. This approach was broadly supported by those States Members who attended the engagement workshops on this review.

[2] This definition excludes revenues from investment return or capital receipts

3.5 This principle is to govern the net deficit, the calculation of which is outlined in table 1. Under the revised accounting rules, internal transfers between States' reserves (such as the allocation to the Capital Reserve) are no longer included as expenditure but actual capital spending is included instead. This will eventually be replaced by a measure of depreciation in line with IPSAS.

Table 1: Illustration of accounting positions for 2019 accounts

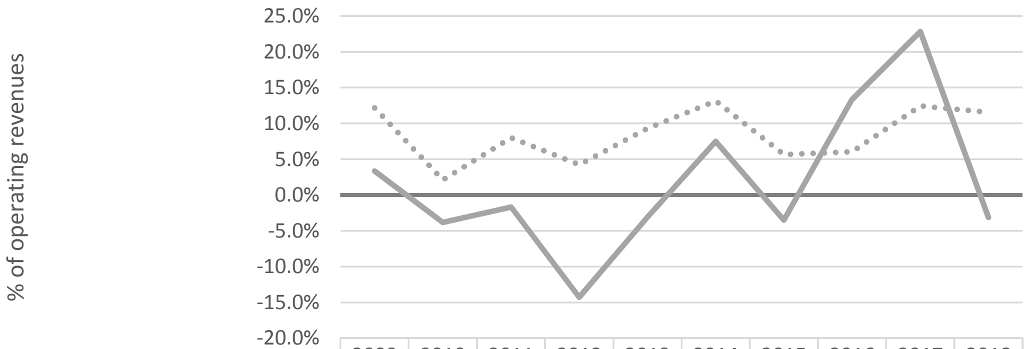
General taxation	+
Committee operating income	+
Misc income	+
Operating (or Revenue) Income	+
Committee expenditure	-
Operating (or Revenue) Expenditure	-
Operating surplus/deficit	+/-
Investment return	+/-
Capital receipts	+
Accrued losses	-
Finance charges	-
Capital spending (to be replaced with depreciation)	-
Net Surplus/Deficit	+/-

3.6 However, this definition of deficit is subject to some significant volatilities. The first is from the uncertainty of investment returns, which can rise and fall with the movement in financial markets. The second is the inclusion of actual capital spending, which in a jurisdiction of Guernsey's size can vary very significantly from one year to another.

3.7 As the accounting policies progress further towards IPSAS, capital expenditure will be replaced by depreciation in the definition of the net deficit. This should smooth one source of volatility. However, given that the volatility of investment returns will remain, it is proposed that the operating position is also monitored as part of the Framework. This will ensure that any review is able to identify pressures developing within the operational income and expenditure of the States which might be otherwise disguised by movements in investment or capital spend.

3.8 The 15% of operating revenues proposed is broadly equivalent in monetary terms to the 3% of GDP prior to the revisions. The current monetary value of this is approximately £75m. If the historical time series is restated to be consistent with the proposed definition, the deficit has never breached this level.

Figure 2: General revenue surplus deficits as % of operating revenues



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net surplus/(deficit)	3.3%	-3.8%	-1.7%	-14.3%	-3.1%	7.5%	-3.5%	13.3%	22.8%	-3.1%
Operating surplus/(deficit)	12.2%	2.1%	8.0%	4.3%	9.3%	13.1%	5.7%	6.1%	12.4%	11.6%

Principle 3: Annual net deficits reported in the general revenue accounts should not be allowed to persist for more than five consecutive years.

3.9 This principle recognises that, as well as limiting the size of deficits it is necessary to limit the length of time over which they can persist. Even relatively modest deficits can drain resources if allowed to persist over time.

3.10 Like previous versions of the Framework, this principle therefore restricts the maximum permitted length of a deficit to five years. Under the principle of long-term permanent balance, periods of deficit need to be balanced by periods of surplus to replenish reserves.

Principle 4: Measures to address any identified or anticipated deficit must be incorporated in the States Medium Term Financial Plan.

- **This might include a combination of reductions in expenditure, revenue-raising measures and measures to stimulate growth appropriate to the circumstances of the deficit.**

3.11 Deficits can differ significantly in their nature and the response to a deficit needs to be tailored to the conditions prevailing at the time. There are numerous different responses to a deficit including cutting spending, raising revenues or stimulating growth (which may conceivably involve increasing spending) and each may be appropriate in different circumstances.

3.12 The intention of this principle is to require a formal response to a deficit, without pre-determining the most appropriate response. The principle ties the response to a deficit, actual or anticipated, into the process surrounding the MTFP. The MTFP includes forecasts of the expected financial position over the four-year period it covers and, if a deficit is anticipated, it should put in place appropriate measures to prevent or address it. While the MTFP is only routinely produced once every four years, it can be updated and amended in response to an unanticipated deficit should one arise in the intervening period.

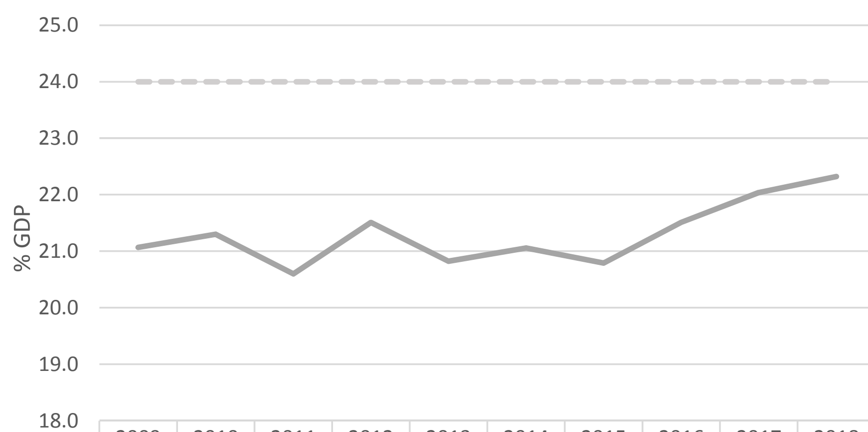
Principle 5: The aggregate amount of States' revenue should not exceed 24% of GDP.

- **This includes all forms of taxation from within general revenue, social security contributions and the operating income of committees, but does not include the return on investments.**

3.13 This principle governs the aggregate size of the public sector in Guernsey. Its intention is to provide a limit on the maximum amount of money it is deemed appropriate to take out of the general economy to be redirected to the provision of public services. With the exclusion of investment income, government revenue is generated from taxes and charges levied on local residents and businesses and Guernsey's status as a low tax jurisdiction is an important part of its competitive position as an offshore finance centre.

3.14 In 2018, aggregate income of the States was estimated to be equal to 22% of GDP[3]. This is about 2% of GDP (approx. £60m) below the proposed limit (see figure 3). This spare capacity is not designed to encourage additional spending. In the same manner as the previous iteration of the Framework, the limit recognises that Guernsey faces some significant long-term spending pressures.

Figure 3: Aggregate income (excluding Investment returns) as a percentage of GDP



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Aggregate income	21.1	21.3	20.6	21.5	20.8	21.1	20.8	21.5	22.0	22.3
Limit	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0

[3] First estimates formal of GDP for 2018 will not be available until September 2019. 2018 estimate are based on a forecast increase in GDP of 0.5% in real terms in 2018

3.15 These pressures include those exerted on our pension, care and health services because of the aging of the population. Projections of the pressures outlined indicate that without effective measures to manage the impact of long-term demand growth the growing costs could easily require expansion of revenues in excess of this limit. Long-term plans must be realistic and in the long-term it may be necessary to increase revenues towards this limit to meet the demand for services. However, the States will need to continue efforts to deliver necessary services in a cost-effective way if they are to stay within it.

3.16 A significant amount of work is already underway to manage the developing financial and service pressures arising from the ageing of the population. This includes the work to progress the Supported Living and Ageing Well Strategy, Secondary Pensions and the transformation of Health Services. These work streams, and others, are progressing to a point where difficult long-term decisions will be required on how they can be managed sustainably. This will mean challenging choices about the extent of public services, how they should be funded and how the burden of costs should be distributed.

Principle 6: Capital expenditure over any States term should be maintained at a level which reflects the need for long- and medium term investment in infrastructure and direct capital expenditure by the States should average no less than 1.5% of GDP per year over a four year period.

- **This should be identified through the infrastructure plan and the medium term capital plan. The MTFP should ensure sufficient resources are allocated to deliver on these requirements.**
- **Direct capital expenditure includes any capital spending supported with recourse to general taxation or reserves.**

3.17 Previous iterations of the Framework have included a requirement for the States to spend 3% of GDP per annum on capital expenditure. However, in practice a number of difficulties were encountered in effectively monitoring this:

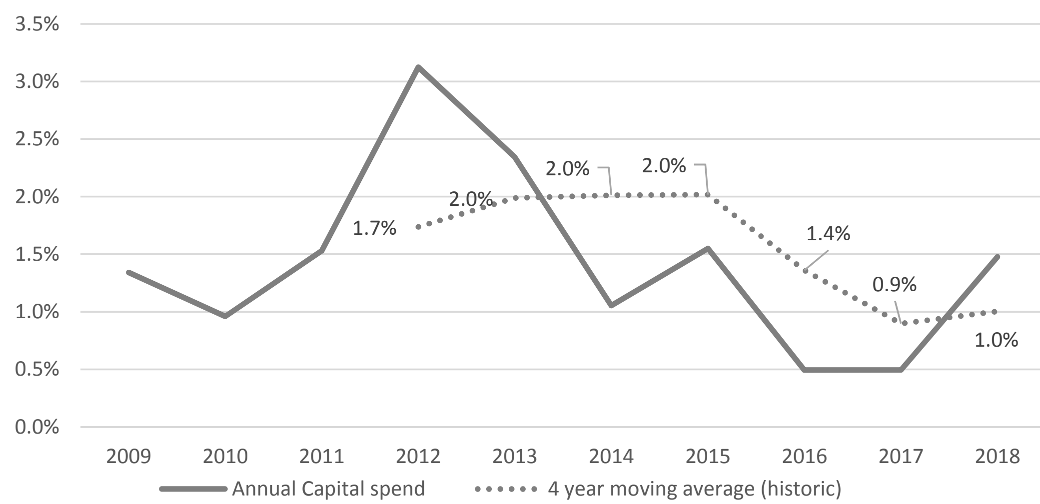
i. Because of the small size of the economy, capital expenditure is very volatile and even maintaining a consistent medium term average is challenging.

ii. The definition of capital expenditure was unclear. The Capital Reserve is no longer the only source of capital funding for the States and their unincorporated entities: the Belle Greve outfall, for example, was refinanced from the Bond Reserve. Neither was it clear whether investment via the States unincorporated entities, over which the States have full control, should be incorporated within the scope.

iii. The 3% target was chosen based on “international norms” but, in reality, levels of capital investment vary enormously between countries and the infrastructure needs of a jurisdiction like Guernsey may be substantially different to those of larger economies.

iv. The target has been met in only one year of the ten years since the first edition of the Framework was published. That year was 2012 (see figure 4) when there was an exceptionally large amount of development ongoing (the Guernsey Airport pavements project and the final stage of the build of the Les Beaucamps High School). Beyond the financial considerations, the management and labour required to sustain this level of development year on year would be incredibly challenging, which suggests the target set was too high to be realistically attainable on a long-term basis. The upward revision of GDP in 2017 amplified this issue.

Figure 4: Direct Capital spending as a % of GDP



3.18 The Policy & Resources Committee discussed the revision of this criteria at length and concluded that a tightly defined target for capital spend, even at a lower level, was not constructive. The recommendation is instead to formally embed within the Framework the principle that there should be a continual review of the infrastructure needs of the islands within the infrastructure plan and the Medium Term Capital Plan. The MTFP should make available the resources to meet these needs. This will bring the requirement to continually assess and adequately fund capital development within the scope of the assessment of the States performance against the Framework as discussed in section 5.

3.19 Because of the volatile nature of capital spending in Guernsey, one of the functions of the MTFP will be to ensure that enough money is appropriated into the Capital Reserve each year to meet the necessary costs of the capital programme in the medium term and smooth the effect of the “lumpy” in year capital spend on the States cash flow.

3.20 However, reflecting on the feedback from the workshops held with States Members, it is also proposed that the principle should include a minimum level of investment which should be financed from general revenues. The proposed minimum, 1.5% of GDP, will incorporate capital spend financed directly by general taxation (i.e. from the Capital Reserve). This minimum is set slightly higher than the 1.4% achieved in the 10-year period analysed in figure 4, and the 1.0% achieved in the last four years. Setting the minimum slightly above that achieved over the last ten years is intended to recognise the under investment in infrastructure over the last three years in particular.

Principle 7: The States' total debt should not exceed 15% of GDP.

- **Gross debt can be deployed only to finance the investment in infrastructure or assets.**
- **Any project or acquisition supported with recourse to government debt must be able to generate sufficient revenue to meet the repayment of that debt.**
- **The definition of debt includes any direct borrowing and contingent liabilities associated with guaranteeing the borrowing of States trading entities, States owned enterprises and NGOs**
- **Guarantees or assurances offered on the operational cash flow arrangements of the States trading entities and states owned enterprises (for example the guarantee of overdraft facilities) are excluded**

3.21 The approach to and practicalities of government debt and the investment in infrastructure has changed significantly since the original iteration of the Framework. Recognising the evolution of financial management and the way in which infrastructure development is managed in Guernsey, this principle broadens the definition of debt and provides greater clarity of what direct government debt might be used for.

3.22 Under this principle government debt can only be used to buy, develop or improve assets which have both a community and commercial value.

3.23 It also allows for the fact that these assets may not necessarily be directly owned by government. The States have increasingly sought to place revenue generating services in a more commercial context. For instance, Guernsey Water is operated as a trading entity, managed and operated on a commercial basis at arm's length from government. The Belle Greve outfall, which is a key part of the waste water disposal infrastructure, was refinanced from the Bond issue in 2014 recognising that, as a revenue generating long term asset, this was a more appropriate source of financing than the Capital Reserve.

3.24 The principle as now drafted also places a clearer and tighter restriction that projects funded by debt must be able to generate sufficient revenue to service their share of that debt.

3.25 As well as the issue of external debt in 2015 the States act as a guarantor or otherwise provided surety for debt held by a number of States associated entities and NGOs, including Cabernet (the company which owns Aurigny Airlines) and the Guernsey Housing Association. Recognising that the States hold ultimate liability for these debts and that these entities are investing in assets which have value to the community, this principle has been expanded so that the limit on borrowing encapsulates these contingent liabilities.

3.26 The States also offer surety on some of the short-term cash flow arrangements for these associated entities. For example the States offer surety on behalf of Aurigny to Barclaycard regarding unflown flights. These are short term financing arrangements required for the day to day operations of these entities and do not represent long term debt or investment in assets. They are therefore excluded from this definition.

3.27 This addresses concerns raised in the review of the bond issue commissioned by the Scrutiny Management Committee in 2017 (States Bond Issue, KPMG) regarding the clarity of the definition of borrowing used in the Fiscal Policy Framework.

3.28 The level of direct debt and contingent liabilities which would be captured by this definition are detailed below. The figure states the maximum liability possible for these agreements.

Table 2: Maximum liability for current loans and contingent liabilities

Direct liabilities	£m	% GDP
States of Guernsey Bond	330	
Captured Indirect and contingent liabilities		
Cabernet limited (pending loan for aircraft purchase guarantee maximum value)	51	
Guernsey Housing association (letter of comfort re revolving credit facility, maximum)	15	
Total	**£396**	**13.0%**

4. Relationship with the MTFP and Annual Budgets

4.1 The Framework is intended to define the boundaries within which more detailed and shorter-term policy should operate.

4.2 The MTFP sets financial objectives for a four-year period, aligned with the policy objectives set in the Policy and Resource Plan. The Medium Term Capital Plan sets out a prioritised set of programmes and projects for government investment over the same four-year term, funding for which is provided through the MTFP. Both of these plans should operate within the principles of the Fiscal Framework.

4.3 For example, whilst the Framework sets a limit on aggregate income, the 2016 MTFP set objectives to diversify the tax base away from taxes on income and to make the distribution of the tax base more progressive. This objective was pursued in the succeeding Annual Budgets. The 2017 budget implemented the first phase of the withdrawal of personal tax allowance for higher earners, which was expanded in the 2018 and 2019 budgets and the 2019 budget implemented the first phase of a tiered TRP system which will apply higher rates to larger properties.

4.4 The Framework will equally apply in relation to the Annual Uprating reports laid by the Committee *for* Employment and Social Security. For example, the Committee *for* Employment and Social Security has active work streams investigating policy surrounding the old age pension and the long-term care scheme, both of which have been highlighted as potentially requiring an increase in revenues to sustain them. Any proposals to increases contribution rates will need to take the limitation on aggregate income into consideration.

5. Reviewing compliance with the Framework

5.1 Prior to the restatement of GDP at the close of 2017, Guernsey's performance against the Framework was subject to an annual external review. This added a level of assurance and credibility to the Framework and providing an opportunity for external assessment of the fiscal and economic risks Guernsey faces. However, at a strategic level, economic and fiscal risks typically change slowly and as a result such annual reviews can become repetitive and loose value over time.

5.2 The annual review process is also costly in both financial and staff resources. The last annual review conducted cost £45,000 and managing and co-ordinating the process and providing the necessary information required an estimated 150 hours of staff time.

5.3 Compliance with the specific criteria of the Framework is straightforward to assess, requiring only the extraction of the relevant lines from the Accounts to determine. It is therefore proposed that this be incorporated into the Annual Budget. This would ensure the metrics to assess performance against the Framework would be available on an annual basis.

5.4 Areas where the States have diverged from the Framework will be clearly identified and the reasons for the divergence explained.

5.5 A periodic external review is proposed to fulfil the more detailed and nuanced role, including more subjective analysis. This review, which will be conducted every four years at the outset of the new political term. It will be timed for publication shortly after the election of a new States, to help inform the production of the MTFP for the next four years which will govern States fiscal policy making for that term.

5.6 It is proposed that the first review in the new format should take place in 2020 and that it should be timed so that it might help inform the debate on the next MTFP. It is also proposed that the terms of reference be extended to incorporate assessment of the delivery of the 2017-2021 MTFP. External reviewers will be tasked with:

- Assessing compliance with the principles of the Fiscal Policy Framework
- To identify short, medium- and long-term threats to compliance with the Fiscal Framework;
- To assess performance of recent finances against the objectives of the current MTFP;
- To identify risks and issues which should be addressed in the subsequent MTFP;
- Identify any structural change which may suggest that review of the Framework may be necessary.

5.7 Conducting an annual review is estimated to cost £180,000 over a four year period. It is estimated that the more detailed review, conducted once every four years, would cost £70,000, representing a saving to general revenue of £110,000 over a four year period.

5.8 Should an economic or fiscal shock make a significant impact on the States' ability to operate within the principles of the Framework outside of this timetable, provision could be made for an ad-hoc review.

6. Consultation and engagement

6.1 A series of workshops were organised for States Members to discuss provisional propositions through March 2019. All members were invited and, excluding members of the Policy and Resources Committee, 23 States Members and Alderney Representatives attended across five sessions.

6.2 Members were given a presentation of draft proposals and given the opportunity to provide feedback. This feedback was used to further refine the principles contained within this policy letter.

6.3 Officers have also engaged with the authors of previous Annual Independent Fiscal Policy Reviews for advice and feedback on draft proposals. This feedback has also been incorporated in to this policy letter.

7. Compliance with Rule 4

7.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.

7.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications. She has advised that there is no reason in law why the Propositions should not to be put into effect.

7.3 In accordance with Rule 4(3), the Propositions are not requesting the States to approve funding.

7.4 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the propositions above have the unanimous support of the Committee.

7.5 In accordance with Rule 4(5), the Propositions relate to the duties of the Committee to advise the States and to promote and facilitate cross-committee policy development and to develop policies relating to fiscal policy and the financial resources of the States, and relations with the other islands of the Bailiwick.

Yours faithfully

G A St Pier
President

L S Trott
Vice-President

A H Brouard
J P Le Tocq
T J Stephens