



STATES OF DELIBERATION

HANSARD

UNEDITED TRANSCRIPT

**Royal Court House, Guernsey,
Friday, 8th November 2019**

PLEASE NOTE:

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

States of Deliberation

The States met at 9.30 a.m.

[THE BAILIFF *in the Chair*]

PRAYERS

The Greffier

EVOCAATION

Billet d'État XXI

POLICY & RESOURCES COMMITTEE

I. The States of Guernsey Annual Budget for 2020 – Debate continued

5 **The Greffier:** The States of Guernsey Annual Budget for 2020, continuation of debate.

[Amendment 20](#)

To direct the Committee for Home Affairs to seek to reprioritise its 2020 budget to fund £100,000 of additional training for Law Enforcement and, if it is not possible to do so, to direct the Policy & Resources Committee to consider making available a maximum of £100,000 from the Budget Reserve in 2020 for this purpose.

The Bailiff: Members, yesterday you voted to defer further debate on Amendment 20 until this morning so we will begin this morning by resuming debate on Amendment 20.

I am just pausing to give Deputy Leadbeater chance to get to his seat and ask to be relevé. Do you wish to be relevéd Deputy Leadbeater?

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Deputy Leadbeater: Please, sir.

The Bailiff: You may be relevé.

So who wishes to speak on Amendment 20? Deputy Lowe.

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Deputy Lowe: Thank you, sir, and I thank the Assembly, again, for agreeing to defer this debate until this morning. This Assembly had a debate on this matter and reached a democratic conclusion; P&R did not like that decision. This is a classic example of how not to do good governance. I will nonetheless do what I can to assist Members by reiterating a number of points.

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First, the need for this expenditure is driven by the recommendations of the independent report from HMIC. The very HMIC recommendations P&R stated they would assist Home Affairs

with resources to implement. Second, Home Affairs has already carried out the assessment of services and reprioritised where practical, but there is nowhere from which to draw this money. This was explained yesterday and I am repeating the same message today. Nothing has changed.
25 Nothing changed within the three hours of this amendment being produced.

Third, the President of P&R sought to argue that Law Enforcement had only spent half the training budget as at the end of September and thereby questioning whether it really needed it. Sir, I did not respond to such accusations as I did not think it warranted it. Why do I say that? Well, who pays up front for services or goods before purchase, or in this case before Law Enforcement
30 staff have finished receiving the training? Of course the Budget will not have all been spent.

I am grateful to the Assembly for deferring debate on this amendment as it allowed me time to research the facts. This has revealed and confirmed my understanding that training in Law Enforcement is cyclical. It is linked to the timing of new recruits and transfers and to practical reality that minimal training can be delivered in the busiest period from Easter to the end of the
35 summer.

This means that a considerable portion of the planned training programme is concentrated from mid-September to mid-December. This includes professional trainers coming across from the UK. So, yes, sir, there remains a balance of funds in the training budget. But there will not be by the end of the year and I am also told that one of the courses, an 11% premium has been
40 added to cover intellectual property right issues, making all UK training courses, which we have to use, to be now more expensive.

Law Enforcement struggled to achieve economies of scale and training despite trying to do so. Further, in the current period of fiscal constraint, managers have been under clear instruction only to spend the bare minimum, which has meant some professional development has not happened,
45 hence going back to the HMIC recommendations that we should be putting money into development and training.

I will therefore reiterate what I said yesterday, as it is important and relevant. The training budget for Law Enforcement has been constrained to just under £400,000 against a backdrop of training and development bids of £740,000. Every year the training application budget is over-
50 prescribed by about 300%, thus large chunks of requests are refused every year upon a risk and prioritisation basis.

We need to keep this Bailiwick safe and secure. We have reviewed the relative priorities of all the services and in terms of further reprioritisation it would be farcical to think that any of the additional funding to be allocated to Home Affairs in 2020 is somehow optional or nice to have.
55 If that was the case there is no way P&R would have agreed to include it in the Budget proposals.

Sir, I truly question the motivation of this amendment. It surely cannot be right for P&R to say. 'We do not like what the States decided yesterday, so we will find a way to overturn it.' This Assembly made a decision and I would ask that we stick to it and roundly reject this amendment.

Thank you, sir.

60 **The Bailiff:** Deputy Trott.

Deputy Trott: Thank you, sir.

I am told that the Home Affairs Committee have only spent half of its Law Enforcement training budget, with more than 10 months of the year gone, which suggests to me that they
65 must have half of their Law Enforcement training budget to cover the remaining two months of this year.

The reason why I agreed to second this amendment is simple; one of the most regular, consistent and in my view justifiable criticisms of this Assembly and previous Assemblies is that we are a yo-yo body. We make a decision one day and we change it the next. Earlier on this session,
70 we made a decision on Amendment 19, which showed in my view, very high levels of corporate understanding and corporate working from the Environment & Infrastructure Department, and

the explanatory note is there for all to read on 19. Just a couple of days later, in the same session, or a day later, we decided to adopt a completely different policy. Yo-yo politics.

75 I give way to Deputy Victoria Oliver.

Deputy Oliver: Thank you, sir.

I believe, though, that P&R actually went and spoke to Environment & Infrastructure. Why did P&R not come and talk to Home Affairs?

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Deputy Trott: I give way to Deputy Brehaut.

Deputy Brehaut: Thank you, sir.

85 Just for clarification, there is constant dialogue between E&I and P&R. It does not mean that we get in the Committee meeting and meet with them. It is just that we are courteous enough, on a regular basis, to exchange emails and, in drafting both amendments, there were a large number of emails exchanged, both with staff members at P&R and political Members, which is the way I am assuming that most Committees work.

90 **Deputy Trott:** Deputy St Pier and I undertake a duty on behalf of the Policy & Resources Committee. We sit on the Home Affairs oversight board, alongside the President and Vice-President of Home Affairs. I would argue that we have a pretty good understanding of the Home Affairs budget. But I do not want to be distracted from the point I have made earlier and that is this, in one session of this Assembly we have adopted two very similar approaches. It is the lack of
95 that consistency that makes no sense to me and is worthy of criticism.

Now, we were told yesterday that the Home Affairs Committee has a budget of more than £30 million and £18 million of that is the Law Enforcement budget. You do not have to be a genius to see that prioritisation should be possible with that amount of capital, but particularly if you have only spent half of your Law Enforcement training budget with 10 months of this year gone.

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I give way to Deputy Prow, sir.

Deputy Prow: I thank Deputy Trott for giving way. I believe Deputy Trott is being a bit presumptuous. We will not know until the end of year whether this particular budget, which is a very small part of the overall Law Enforcement budget, will be spent or not. In delivering training, and I have some experience and background in this, you basically often get invoiced for training after people have received it.

I do not think you can be making a speech on a presumption that this money will not be spent. I think Deputy Lowe has given assurance, having gone back to Law Enforcement, that all this money is in fact allocated. Really this amendment should not have been ... It is just pure semantics, sir.

110

Thank you.

Deputy Prow: Well, sir, that was a most helpful intervention from Deputy Prow. I am grateful to him for it, because I will now read what the amendment says. It says:

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To direct the Committee for Home Affairs to seek to reprioritise its 2020 budget to fund £100,000 of additional training for Law Enforcement and, if it is not possible to do so, to direct the Policy & Resources Committee to consider making available a maximum of £100,000 from the Budget Reserve in 2020 for this purpose.

He is right. There is an element of uncertainty around this. It is a considerable element of uncertainty. Like I say, with 10 months of this year gone and half the training Budget remaining, let me just repeat that before I give way to Deputy Lowe, with 10 months of the year gone
(Deputy Leadbeater: Point of correction, sir.) and 10 months –

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The Bailiff: There is a point of correction from Deputy Leadbeater.

Deputy Trott: I give way to the point of correction, sir.

125 **Deputy Leadbeater:** Deputy Trott is misleading the Assembly. Deputy Lowe has already outlined the vast majority of training is not done in the summer months; it is done in a period between October and December. That training is probably being undertaken at the moment. It will not be invoiced until after that time.

130 **Deputy Lowe:** Thank you for giving way, Deputy Trott.

Deputy Trott: It is a pleasure. *(Laughter)*

135 **Deputy Lowe:** We are now at the beginning of November. The accounts we are talking about are obviously until September. We have training that has been taking place October and November, they are already on it. Are you suggesting that the commitment and the planned training, because these things are planned, a lot of it entails going to the UK and finding slots for Guernsey to be able to accommodate and, as I said, we are now facing an 11% premium; which we have not before?

140 That does not just happen overnight. The commitment that we have to ensuring that that training takes place is actually within, slightly, hopefully, the budget. This 11% that has come out of the woodwork, it may even be we are overspent and that is bringing it down to the narrowest that we can possibly do. So it is nonsensical to say, 'You have not spent it.' Of course we have not spent it. You do not pay for it before you attend the training. The training is currently taking place
145 at this moment in time and will be that expenditure that I have explained several times now during this debate.

Deputy Trott: I do genuinely think it is extraordinary that more than half of the training, in terms of cost, will be taking place in what is now the last seven weeks of this year. I think that is
150 incredulous. I, for one, find that hard to understand or believe and I think it just goes to show the uncertainty around this exchange, this debate today. The sensible thing to do is to be consistent, to apply precisely the same policies with regards the Budget Reserve to the Home Affairs Committee or towards the budget for the Home Affairs Committee as we did towards the E&I Committee. We are, after all, all equal. Sometimes in this Assembly, we give the impression that
155 some Committees are more equal than others. It is not how it should work.

The Bailiff: Deputy Lester Queripel.

Deputy Lester Queripel: Thank you, sir.

160 I cannot support this amendment. I am disappointed to see it in front of us today, to be honest. The States have already made their decision on this issue, so why are we being asked to revisit it? Why waste time and re-open debate on something that has already been decided? Why waste time going over old ground? Has this Budget debate not gone on long enough already?
(Several Members: Hear, hear.) Here we are going over old ground.

165 As we know, P&R did this sort of thing early on this week, when they laid the amendment focusing on the extra funding for biodiversity. To me, that weakened the position of E&I, who had their own amendment lined up. I was really surprised and extremely disappointed and concerned when E&I gave in so easily to P&R. I would have expected them to stick to their guns and champion their own amendment. They did not and by doing so they have weakened their own
170 position.

But Home Affairs are not such easy targets as E&I and they are not going to give in on this one and I commend them for adopting that approach. Because they know, if they do, then it will

175 weaken their position. Why on earth would a Committee vote in favour of weakening their own position? Of course, the same could be said of any Member of this Assembly. Why would any Member vote in favour of weakening the Committee's position? So I ask colleagues to honour the vote on the original amendment and not flip-flop on this issue.

Thank you, sir.

180 **The Bailiff:** Deputy Meerveld.

Deputy Meerveld: Thank you, sir.

185 Very much in the same vein as Deputy Queripel, I am not going to bother debating the merits of whether or not we should be providing this additional funding for police training, as the States has already made that decision and, on balance, the States decided that it should be funded. I am afraid this amendment is a blatant attempt to force this States to re-debate the issue within a day or so of it being debated and an attempt to try and get the States to change its mind.

190 The fact is the Home Department have very clearly stated that they cannot find this money within their budget, therefore the amendment saying they should reprioritise is irrelevant and P&R have made it very clear, both in the original Budget and in their opposition to the original amendment and by placing this amendment that they are not inclined to support it. So if Home Department go back to P&R saying they have not been able to re-prioritise what do we really believe is the probability that P&R would then support the request?

195 This amendment is directly asking the States to re-debate and overturn a decision that is already made and that is setting an incredibly bad precedent. Is that going to be telling the Assembly that any time that anybody loses a decision in this States, whether it be on an amendment or anything else, that they should go away over lunch and re-draft another amendment to get it re-debated and try and overturn it again?

200 Deputy Trott would have us say, 'We do not want yo-yo Government.' I am sorry, this is exactly that. Let us go back and re-debate something we decided yesterday and change our minds. Deputy Trott would also say that, in this Assembly, all Committees are equal and yet time and again there is another call for delegated authority for P&R to make a final decision. Yet and again we get asked for delegated authority to P&R. That is fine on some things, but what you are effectively doing, you are creating one Committee that has the final say on a lot of issues, so it means that one Committee is definitely above and taking precedence over other Committees.

205 So I would encourage everybody in this Assembly to vote down this amendment, regardless of their views on whether the money should be funded or not; on the basis we do not set a precedent, we do not want yo-yo decisions and we want this Government to function on the basis it is supposed to.

Thank you, sir.

210 **The Bailiff:** Deputy Le Tocq, do you wish to be relevéd?

Deputy Le Tocq: Thank you, sir.

215 **The Bailiff:** Deputy Brehaut.

Deputy Brehaut: Thank you, sir.

220 Can I say that this really need not be the fight that it is? When Deputy Lowe held up the biodiversity amendment yesterday, holding up that amendment, Deputy Lowe said to Deputy Hansmann Rouxel, my reading of this amendment is that you will have your £100,000. Deputy Lowe now has the very same amendment and argues that she does not. E&I will work with P&R, when push comes to shove, to deliver £100,000 on biodiversity but there is a significant element to this, which I think has been overlooked.

225 I do not know a great deal about the funding at Home Affairs but I have one insight in just the one area, which would more than adequately cover this £100,000. I have met with Home Affairs as a Committee twice. The first meeting, which I think was over a year ago, we had concerns about the lack of traffic wardens. There was a real problem that spilt, if you like, onto the E&I mandate, with regard to abandoned vehicles, vehicles over-staying, roads could not be cleaned because people were not being ticketed and they did not move their cars. (*Interjection*) Yes.

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The Bailiff: Point of order.

Deputy Prow: Deputy Brehaut is straying from the amendment.

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Deputy Brehaut: If Deputy Prow was good enough to listen, I am not. There is funding for this amendment and I just hope Members bear this out. For some time we have had traffic wardens, or we have not actually had traffic wardens – they have been two down. More recently, Home Affairs have employed traffic wardens, which bring in revenue, which goes to the Home Department.

The Home Department draw in ...

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I will give way to Deputy Oliver.

Deputy Oliver: Thank you, sir.

We actually had a paper about traffic wardens versus income and they have said that the amount of traffic wardens we have is absolutely on the limit for the amount of income we receive.

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Deputy Brehaut: Respectfully to Deputy Oliver, a traffic warden, and I am sorry to get this granular, they more than adequately cover their salary. The figures are that, with the absence of traffic wardens, the income was about £500,000. Now that we have traffic wardens bringing in the revenue – and bearing in mind these are real offences that take place and people do pay whatever levels of fine they are – so they now have revenue-building again that they did not have.

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So if I am going down the back of the sofa to look for this cash, Deputy Lowe needs to be aware that now that the ... I have to say Deputy Lowe said in a meeting, recently, that traffic wardens did not cover their salary. That is simply not true. The traffic wardens will more than adequately cover their salary. So anything above, would it not be virtuous, if money taken from parking fines and offences of that nature, funded the police training budget in some way? That is the scope that is available to them. The money is there, the revenue is coming back in. Home Affairs do not actually need to look that far.

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The Bailiff: Deputy Stephens.

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Deputy Stephens: Thank you, sir.

It seems to me that the timing of the 2020 Law Enforcement training is important to this argument so I am hopeful that a member of Home Affairs can assist me and advise when, actually, the 2020 training budget will be required?

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Thank you.

The Bailiff: Deputy Tooley.

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Deputy Tooley: I suspect I might be out of step with certainly a number of the Assembly and possibly the majority of the Assembly, but I think this amendment is a good one. When we debated and voted on what is currently Proposition 8A, I know I and many of my colleagues found it difficult to know which way to vote. We want to ensure that the Committee *for* Home Affairs are not too cash-strapped to be able to afford this clearly vital training, particularly as the necessity for it has been brought into sharp focus by the HMIC Report.

275 But given the comments about the balance and spending in the training budget for the year,
even six months after the HMIC Report was received, it would be helpful, I think, to revisit what
the expected balance in that fund is because, while I accept absolutely that you do not pay for
training until after the training has been delivered and the invoice has been accounted for, you
absolutely account for it out of your budget from the moment you contract to undergo that
280 training. From the moment you contract to undergo your training, you effectively remove that
money from your budget. I am not going to give way right now but I would like, at some point,
when someone sums up, to hear those figures again.

Critically for me, though, and it has been referenced, is the comment made during the debate
on 8A, by Deputy Lowe, referencing the debate on Amendment 19, which confirmed the
285 commitment to provide that £100,000 for E&I's biodiversity strategy. Deputy Lowe said, and this is
not quite a direct quote, that E&I had been given that money. Deputy Hansmann Rouxel objected,
saying that E&I had not been given the money and Deputy Lowe countered, saying that, as they
had been told the money would be available if they could not find it in their own budget then the
amendment passing was as good as being given the money.

290 This amendment is a mirror of that one and, for those of us who struggled to decide which
way to vote, because we wanted to ensure that the money was there for the training, this
amendment allows that confidence. We can be confident that the money will be made available
for the training if that money is not available within the uplifted budget of £1.56 million that
Home Affairs have been given, and the outstanding money for training.

295 I am going to add to what I originally intended to say, because I feel like the Assembly needs
some reminders of a few things. I feel like the Assembly needs reminding that Committees are not
political parties, We are not here to oppose one another as Committees. Yes, I am here to speak
and to fight for the budgets of Health & Social Care and Education, Sport & Culture, because I sit
on those Committees. But I am here to speak for the Budget for the Island and of our community
300 as a whole. I am not here to fight for my corner and blow everybody else.

I am here to fight for the Budget that ensures that we can run the Island as a whole and that
£100,000 might well be absolutely 100% clearly needed to be put into training for the police,
because there is no other place to find the money. Absolutely, might well be.

305 But actually, if it turns out that it is not needed for that, I would rather see it go to one of the
other things that I know also need prioritising and for me this amendment allows us the
opportunity and, you know, when we elect a Committee for Policy & Resource, whether the
Members of the Assembly like it or not, we do elect an over-arching Committee, which pulls those
things together. Fellow Members can argue against that all they like but that is what we do when
we elect a Committee of Policy & Resources.

310 What we need to do is ensure that we are putting the best possible controls on our Budget, so
that the things that are necessary are spent on but that where money can be found elsewhere, we
are making sure that we prioritise the things that matter most, so for me this is a good
amendment. I will be much more comfortable for this than I was voting for the one that replaced
the Proposition in the Budget and I hope others will be as well, because this is not attempting to
315 prevent that training going ahead. In fact, I want to vote for this because I want to vote for the
training, but I felt unable to vote for the other because as far as I could see there was money in
the Budget to cover it.

The Bailiff: Deputy Smithies.

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Deputy Prow: Point of order, sir, could I invoke Rule 26(1)?

The Bailiff: Rule 26(1). Will those who have not yet spoken and wish to do so stand in their
places?

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Deputy Smithies: Could I say you have called me, sir?

The Bailiff: Well, that is true, I have called you.

330 **Deputy Smithies:** I will not detain the Chamber long. I would just point out that the problem to me with this amendment, as with 19, and I think E&I may regret allowing 19 to go, the weasel word is 'consider'. P&R will consider making available the maximum of £100,000. Well, may we have our £100,000? 'Hmm, we have considered it. The answer is no.' We have got £100,000, we are now being asked to go into hock to P&R for them to consider whether to allow that money to go through.

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The Bailiff: You now want to move 26(1)?

Deputy Prow: Yes please, sir.

340 **The Bailiff:** Will those who have not yet spoken stand in their places? Five are standing. Do you wish to proceed?

Deputy Prow: Yes please, sir.

345 **The Bailiff:** I put to you, then, the motion that debate be terminated. Those in favour; those against?

Some Members voted Pour; others voted Contre.

The Bailiff: I believe that is carried. Nobody is challenging that.

Deputy Lester Queripel: A recorded vote, please, sir.

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The Bailiff: We will have a recorded vote on the guillotine motion.

There was a recorded vote.

Not Carried – Pour 14, Contre 22, Ne vote pas 3, Absent 1

POUR

Deputy Kuttelwascher
Deputy Gollop
Deputy Parkinson
Deputy Lester Queripel
Deputy Le Clerc
Deputy Mooney
Deputy Meerveld
Deputy Inder
Deputy Graham
Deputy Paint
Deputy Dudley-Owen
Deputy McSwiggan
Deputy de Lisle
Deputy Prow

CONTRE

Alderney Rep. Roberts
Alderney Rep. Snowdon
Deputy Ferbrache
Deputy Brehaut
Deputy Tooley
Deputy Leadbeater
Deputy Trott
Deputy Le Pelley
Deputy Merrett
Deputy Stephens
Deputy Fallaize
Deputy Lowe
Deputy Laurie Queripel
Deputy Smithies
Deputy Green
Deputy Dorey
Deputy Le Tocq
Deputy Brouard
Deputy Langlois
Deputy Soulsby
Deputy de Sausmarez
Deputy Roffey

NE VOTE PAS

Deputy St Pier
Deputy Hansmann Rouxel
Deputy Oliver

ABSENT

Deputy Tindall

The Bailiff: On the recorded vote, the guillotine motion was lost by 14 in favour, 22 against, and three abstentions. It was lost.

Debate will continue and Deputy Leadbeater, as Vice-President of Home Affairs.

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Deputy Leadbeater: Thank you, sir.

Just as Deputy Smithies, I picked up on the wording of the amendment, too, which I have a few concerns about. Deputy Trott, I think, or Deputy Brehaut, I am not quite sure, talks about all committees being equal. But if that was the case why did we not see this amendment last week? Is it because P&R did not think that it would succeed, so they did not try to come and talk to us to see if we could go and find it in our budget, like they are suggesting, and they think that we can?

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One thing I would say is we have been through this budgeting exercise, we have been through prioritising. We should not get down in the weeds with the Head of Law Enforcement's operational side of things and what he needs for his budgets for certain areas. One thing that I think everybody is kind of going in the complete wrong direction by thinking it is training we are currently doing. It is not. It is not the budget for training we have got, this is extra, continual professional development that we have been criticised for not doing. This is extra. So we cannot talk about our current training budget as being half-spent, because it is completely irrelevant. This is stuff that was identified by HMIC that needed undertaking.

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I will give way to Deputy Merrett.

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Deputy Merrett: Thank you, Deputy Leadbeater. One of my questions on this originally was, if it is continuous, then how is it going to be replenished if it comes from the particular reserve that Home Affairs' original now, as stands, Proposition remains?

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Deputy Leadbeater: I will give way to Deputy Meerveld.

Deputy Meerveld: I would be interested to know from P&R if they have over half of their budget unspent at the moment? If they have a balance that is unspent and accrued at the end of the year, will they be able to carry it over to next year to pay for the 2020 training that they are requesting here?

380

Deputy Leadbeater: Sir, to answer Deputy Merrett's question, I cannot really. Is it going to be a recurring cost each year? Possibly; certainly the Head of Law Enforcement could answer that. That is pretty much what I have got to say. This is a pathetic attempt to clutch success from the jaws of defeat.

385

Thank you very much.

The Bailiff: Deputy Dudley-Owen.

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Deputy Dudley-Owen: Thank you, sir.

Going back to semantics, people might not think it is particularly important and think that we are splitting hairs, but it really is important because this amendment was laid on the basis that it was like-for-like with that for the Environment & Infrastructure's biodiversity's request for funding for the biodiversity project. But it really is not. It is not only the weasel words that Deputy Smithies has pointed out, to 'consider' making available, which clearly consideration can be given (*interjection*) – absolutely that is exactly the same. However the first word is the same, 'to' but the next words:

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to direct the Committee *for* Home Affairs to seek to reprioritise the 2020 budget ...

As opposed to the words in Amendment 19, which is:

to note that the Committee *for the* Environment & Infrastructure is seeking to reprioritise ...

400 Now the difference there is that to direct the Committee *for* Home Affairs to reprioritise says that it must do that. In the other amendment, Amendment 19, 'to note that the Committee *for the* Environment & Infrastructure is seeking to reprioritise', that Committee has already agreed to do so.

I will give way to Deputy Brehaut.

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Deputy Brehaut: That is why the wording is different because we are not contesting; we are in agreement.

Deputy Dudley-Owen: Precisely; thank you Deputy Graham for proving my point! (*Laughter*)
410 That is exactly the point. The Environment & Infrastructure Committee have agreed to look at reprioritising their budget but, actually, the Home Affairs Committee have not. So that is the point and that is really what we need to take on board here. Let us not get back into the debate of whether or not it is required, we have already agreed as a States that it is required. This particular amendment is not.

415

Thank you.

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Thank you, sir.

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If I needed another reason to seek to dissuade me from standing next year, in 2020, this debate is certainly one, if not the whole of the Budget debate. This amendment is an attempt to try and help us to be consistent and it may be late in the day and it may well be that we omitted to recognise that the States would take a different view to one Committee than it did to another Committee, but this certainly helps to align our inconsistency and to try and persuade us to be corporate in the way in which we act.

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This is turning increasingly into a States of silo, personality mentalities (**Several Members:** Hear, hear.) and I despise that sort of attitude. It reminds me of my first term in the States in 2000. We need to get back to seeking to work together and seeking to recognise the P&R Committee, irrespective of who is on it, the Committee has been mandated by this Assembly to take responsibility for financial and budgetary affairs. It is a very difficult job to do but we seek to do that consistently and to advise the States to do likewise. This is why this amendment is here and I sincerely encourage all Members to support it.

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The Bailiff: Deputy de Sausmarez.

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Deputy de Sausmarez: Thank you, sir.

I really rise to respond, after the speeches of Deputy Smithies and Deputy Lester Queripel, because I really do just need to stress the point that E&I is absolutely committed to investing £100,000 in biodiversity in the next Budget, because we think it is absolutely vital that we do that.

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Now we have come to an agreement with P&R and, as everybody knows, we at first sought to amend the Budget in the same way as Home Affairs' original amendment, but we were persuaded by P&R to come to a compromise arrangement because of the principle of raiding the Budget Reserve.

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It is that what this really boils down to. I do not think anybody in this Chamber would disagree with the fact that the training that Home Affairs is talking about or that this amendment refers to is absolutely vital and actually I think that the timing of the training and the budget and all the rest of it is a bit of a red herring, to be honest. If Home Affairs believe that this training is as important to Law Enforcement as we believe biodiversity is to our mandate then I would very much hope that they would do everything to reprioritise first.

450 Also, the really important point is, I would also hope that if they cannot do that then P&R
would give them whatever funds are needed from the Budget Reserve. But the principle of the
Budget Reserve is to be a reserve and the wording that Deputy Smithies brought out is 'to
consider', well it has to be 'to consider' it, because if it is a commitment then obviously that makes
455 a mockery of the process. So that is why the wording is there. But I trust P&R, if they say they are
going to consider it favourably then I trust them to do that, both in terms of biodiversity and in
terms of the Law Enforcement training.

I will give way to Deputy Leadbeater.

Deputy Leadbeater: Sir, I thank Deputy de Sausmarez for giving way. We have tried to
460 reprioritise. During the budgeting process we have looked very carefully in every area of our
budget. We cannot find £100,000. Why do you think we have had to go to P&R in the first place
to ask for extra? We would not be in the position of going to P&R to ask for extra if we did not
need it. HMIC have said that this is necessary.

465 There are people purposely not wanting us to provide this training for some sinister reason. I
cannot understand why you will not support us. Why do people never want to support, help the
Committee *for* Home Affairs. Sorry, why do certain people never want to support the Committee
for Home Affairs? I think it is so obvious, it is ridiculous.

Deputy de Sausmarez: I think Deputy Leadbeater is misreading the sentiment in this
470 Chamber. I think, actually, Home Affairs have got 100% support for this and I hope that the
Committee *for* Home Affairs actually backs that themselves.

I give way to Deputy Merrett.

Deputy Merrett: I am very grateful, Deputy de Sausmarez.

475 I am going to take any personality, how this happened, out of my equation because I am going
to look at the substantive Proposition as before us, as amended yesterday – was it only yesterday,
sir? – and the Proposition I have today and I am going to place my vote purely on those two
things.

480 The main Proposition of what we have before us or the potential of this amendment. Anything
else and how this has come about is history, it is embarrassing, I will concentrate, as I always try
to, on the policy before us.

Deputy de Sausmarez: Absolutely, I would like to endorse that sentiment, because that is
485 really why I stood. It really is about the principle of a Budget Reserve, about understanding why it
is there and how it should be used. I think Home Affairs can take great comfort from the amount
of support that there is in this Chamber for the concept of this training and I really hope to see
that the Committee themselves will back that, as E&I absolutely are committed to the biodiversity
standing.

Thank you.

490

The Bailiff: Deputy Langlois.

Deputy Langlois: Thank you, sir.

495 I do not know why P&R were so tardy in bringing this amendment when they had a template
as has been explained. Home Affairs' proposed amendment was almost identical to E&I's and P&R
put forward their Proposition as an alternative to E&I's, which was almost identical to the
Proposition they have put forward as an alternative to Home Affairs'. So the template was there,
so why we have had to wait so long for P&R to present their alternative, I am not sure.

500 But that is all process and you should never put process in front of principle. The principle was
I think explained by Deputy de Sausmarez very clearly. The Budget Reserve is for all of us, for
expenditure, in the course of the forthcoming and very often it is under pressure because it funds

pay increases. It is across all the Committees and there is no real justification for one Committee to start nibbling away at it prematurely. Why not Health doing the same thing?

505 It is a matter of principle. If one really wants to increase the tax take to fund some project then that should be the form of the amendment, not simply diving into our reserve, which are, as I said, our States' reserve. E&I understood that when P&R presented their alternative. The truth is I think most Committees know that, in the course of the year, it is not a question of your budget at the beginning of the year, but in the course of the year there are always chances to reprioritise, there are always potentially underspends, potentially savings and we are reasonably confident that we
510 will be able to find the £100,000 for biodiversity.

That does not really matter because we will be including it in our budget for the year. We will be spending £100,000 on biodiversity in 2020 and, if the worst comes to the worst, we will be going to P&R and asking for a top-up of whatever amount is necessary from the Budget Reserve. That is what a Budget Reserve is for.

515 So we have gone along with that and we think it is very sensible. We do not think it is weak in the way that Deputy Lester Queripel described it. I think it is acting corporately and we are fully confident of the stance we took and quite happy – it would be nice to have had more than £100,000 for biodiversity – but we are quite content with the process and we followed the right principle. So I will be supporting P&R's amendment, even though it came very late in the day.
520 Thank you.

The Bailiff: Deputy Mooney.

Deputy Mooney: Sir, I was not here yesterday when this amendment was laid but it seems like
525 I missed nothing because it is back here again today (*Laughter*) and I will not be supporting it.
Thank you.

The Bailiff: Deputy St Pier will reply.

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

I did not imagine the debate would take quite as long but then that seems to be the history of this particular Budget debate. I need to explain some of the history and some of the phraseology that has been used. Deputy Smithies picked up on the 'consider' making available. That really is, as others have said, in recognition of what the Budget Reserve is all about.

535 The Budget Reserve is there to meet the unexpected pressures which arise during the year. So it is quite possible that a request can come to the Policy & Resources Committee towards the end of the year and there is nothing left in the Budget Reserve. That is not something that has happened in recent years but we have to admit that there is always that possibility; there could be some event in 2020, which consumes the entirety of the Budget Reserve. It is a question about
540 needing to live within our resources and manage accordingly. That is why that phrase is there.

Deputy Kuttelwascher asked how we go about seeking to reprioritise in 2020. As Deputy Kuttelwascher often does ...

I will give way.

545 **Deputy Kuttelwascher:** Sir, I did not speak on this amendment.

The Bailiff: You did, you spoke immediately after Deputy St Pier yesterday afternoon.

Deputy Trott: It was not very memorable! (*Laughter*) You spoke nonetheless!
550

Deputy Merrett: Point of correction, sir.
Deputy Kuttelwascher did speak.

555 **The Bailiff:** That is what I said. I said he spoke immediately after Deputy St Pier yesterday afternoon.

Deputy St Pier: Deputy Merrett's intervention has spoiled my punchline, (*Laughter*) which was Deputy Kuttelwascher's point of correction does not appear to have been correct. The point was he was challenging how you go about reprioritising in 2020 and, of course, he does know the answer to that question, as a former Member of the Treasury & Resources Department.

560 But this question of reprioritisation is relevant. Deputy Leadbeater, quite rightly, passionately says that, as we stand here today on whatever day we are on – 8th November, I think we are on – the Committee cannot reprioritise and the Head of Law Enforcement cannot reprioritise. That is correct and is understood, that that exercise has been undertaken up to this point. But as Deputy Langlois says, as you go through the year, the opportunity to look at your budget, what you are already spending in other areas and what your income is does allow Committees to reallocate. So if we take Deputy Lowe's point that if most of the training happens in the last quarter, it strengthens the chance that they will have in-year underspends to cover this £100,000.

570 This is particularly remembering that their baseline has been increased by £782,000. Most of that will be in relation to people and most of those people will not be appointed by 1st January, so it is very likely that there will be pockets elsewhere. It is quite ... well, it is not very likely, I should rephrase that to be fair; it is *possible* and that is all reprioritisation means.

575 We also have to acknowledge, as Deputy Brehaut says, that more traffic wardens have been appointed but the income associated with those appointments has not been reflected in next year's Budget. We also have to acknowledge the significant flexibility, or variability, around population management income, which also sits within Home Affairs' Budget.

580 It is not saying with absolute certainty that there will be additional funds available within the Budget, but it is saying it is possible and, if it is possible, the States and indeed the public would expect the Committee to go to that pot first before it makes a call on the Budget Reserve and that is all this amendment seeks to do.

Deputy Tooley is absolutely right, the standard accounting practice is you account for the cost of expenditure when you make the commitment. So when you book the course, it will appear as a creditor and you will reflect it as an item of expenditure. It is irrelevant when the course actually takes place.

585 Deputy Merrett was right to challenge, what happens to the ongoing commitment? If it is funded from the Budget Reserve, then there are two consequences. First of all the Budget Reserve will have £100,000 less than was previously provided for in 2020 but, more importantly, we start 2021 £100,000 short. So we will have to find that £100,000 for that recurring commitment in 2021.

590 Deputy Merrett, Deputy Langlois, Deputy Ferbrache have, I think fairly, challenged why did P&R not engage in the same way as with Environment & Infrastructure and that is a challenge which deserves a response and I will respond. The question did arise in a meeting of the oversight board between Home and the Policy & Resources Committee at the time the cash limits were advised.

595 I should just say at this point, to respond to Deputy Leadbeater's passionate suggestion or implication that P&R in some way have not been supportive of P&R, for Home Affairs, forgive me, that Policy & Resources have recommended cash limits of 4.56% higher for Home Affairs, recognising the pressures, £1.56 million of additional cash, and the only item on the list in Appendix 6, which relates to Home Affairs, is this item. So I think P&R have been very supportive of the challenges within Home in 2020. He did not suggest it was P&R but I would wish to push back if there was any implication that he felt it was. Forgive me, I went off at a tangent, sir.

600 In relation to why E&I and Home Affairs, there was a different conversation. In the oversight board, when the cash limits were advised, Deputy Lowe was very firm at that meeting. She said, 'The Committee *for* Home Affairs has a corporate approach but it is my job, as a President of Home Affairs to defend the cash limit that I think we need; we will be bringing an amendment to this Budget.'

605

It was a categorical and very clear conversation. Any of us who have ever dealt with Deputy Lowe, which we all have, will know that she has very strong views, which she articulates very strongly. She left us in no doubt, that was the position which she and her Committee would adopt, We were left in no surprise, therefore, when this amendment came forward.

610 The conversation with Environment & Infrastructure was entirely different. Environment & Infrastructure engaged differently, indicated ... As I say we had an exchange of correspondence, which led us to believe that we were not going to have an amendment at all. In fact, when the amendment did come through it was a surprise and we said, 'Hold on, how does this fit with the correspondence we have had?' They said, 'Well, actually we would like to have a resolution around
615 this.' Then we had the conversation.

So there is a different history to this. But I think as Deputy Le Tocq ...
I will give way to Deputy Fallaize.

Deputy Fallaize: I am grateful to Deputy St Pier for giving way.

620 Although the argument about treating Committees the same is superficially compelling, because of the case of Environment & Infrastructure and Home Affairs that was being debated in this Budget debate, would Deputy St Pier not agree with that, actually, all Committees have been treated differently, because some Committees have not been offered an opportunity at all to obtain funding from anywhere for some of the items of expenditure, which they apply for and
625 have not been prioritised?

My Committee and Deputy Soulsby's Committee have a long list of items in the list of things not being prioritised and P&R never came to us and suggested that there might be anything available in the Budget Reserve. The same is true for one or two items of other committees. So I think, although there is some argument about these two Committees not being treated equally, I
630 do not think that is the end of the argument, because all Committees have been treated quite differently in relation to this Budget, based on the different circumstances they face.

Deputy St Pier: That is self-evident in relation to the cash limits proposed, but in relation to Appendix 6, all Committees have been treated identically. We did not go to Home Affairs and
635 Environment & Infrastructure, sir. I will have a conversation with you about how we can fund these items, the conversations were initiated the other way around. It was open to other Committees to seek to do so, if they had chosen to do so. So I think they have been treated consistently in relation to this issue.

Let me reach a conclusion because we really do need to move on, sir. (**Several Members:**
640 Hear, hear.) It is this: as Deputy Le Tocq has said, I think the question of how the interaction took place, could we have done things differently? Yes, I think we could and I will apologise to the States if Members feel that we could have handled this better and I am sorry for that.

But, and there is an important but, there is no logical or good reason, as Deputy Trott has said, that the States would treat this request any differently to that of the Environment & Infrastructure,
645 having passed that amendment in relation to Environment & Infrastructure a couple of days ago. I fear, as Deputy Le Tocq has said, that those outside the States will conclude that the only reason for the States not adopting the same corporate approach in this case would be petty politics. For that reason alone, I do urge Members to coalesce around the same wording in relation to this amendment.

650 **A Member:** A recorded vote, please, sir.

The Bailiff: We will have a recorded vote on Amendment 20, proposed by Deputy St Pier, seconded by Deputy Trott,

There was a recorded vote.

Not Carried – Pour 19, Contre 19, Ne vote pas 1, Absent 1

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Brehaut	Alderney Rep. Roberts	Deputy McSwiggan	Deputy Tindall
Deputy Tooley	Alderney Rep.		
Deputy Parkinson	Snowdon		
Deputy Le Clerc	Deputy Ferbrache		
Deputy Trott	Deputy Kuttelwascher		
Deputy Merrett	Deputy Gollop		
Deputy St Pier	Deputy Lester		
Deputy Stephens	Queripel		
Deputy Fallaize	Deputy Leadbeater		
Deputy Inder	Deputy Mooney		
Deputy Laurie Queripel	Deputy Le Pelley		
Deputy Hansmann Rouxel	Deputy Meerveld		
Deputy Dorey	Deputy Lowe		
Deputy Le Tocq	Deputy Smithies		
Deputy Brouard	Deputy Graham		
Deputy Langlois	Deputy Green		
Deputy Soulsby	Deputy Paint		
Deputy de Sausmarez	Deputy Dudley-Owen		
Deputy Roffey	Deputy de Lisle		
	Deputy Prow		
	Deputy Oliver		

655 **The Bailiff:** The voting on Amendment 20 was 19 in favour, with 19 against and one abstention. So it has not carried.

So we come back to general debate. Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

660 In 2013, the total revenue expenditure on services, which are now part of the Committee *for* Education, Sport & Culture, was £81 million. If, in the seven years since then, revenue expenditure had grown in line with inflation, it would now be around £90 million a year.

In fact the cash limit proposed for 2020 is just less than £80 million, or £81.6 million, if you include the new service developments, which are proposed for funding. This, sir, is a record of spending restraint, indeed a record of decline, in real terms expenditure, by successive Committees. In 2019, the Committee delivered on forecast recurring savings of £105,000, but in total the Committee now anticipates returning an underspend of at least £250,000 to the Policy & Resources Committee.

670 In 2020, the savings plan agreed between the two Committees requires the Committee *for* Education, Sport & Culture to save just over £0.5 million and we are preparing the Committee budget on that basis. This is challenging but the Committee is determined to remain with its cash limit.

In the years ahead, the reforms of education agreed by the States in 2018 and 2019 are expected to result in expenditure of at least £2 million *per annum* less than it would be without those reforms and progressing those reforms remains the major focus of our Committee, primarily for educational benefits, but the financial benefits are an important secondary benefit.

680 The recommended cash limit of the Committee includes around £1.1 million for non-discretionary items, including employing additional teachers for secondary schools, because of the increase in both the number and proportion of students in state secondary schools from 2019. In addition the Committee has been allocated, as per the Propositions, £715,000, for essential service developments, including additional teachers and improved services in special schools and the communication and autism service, and investment in literacy support, which is now urgently required and about which the Committee has briefed the States recently.

685 Unfortunately, between £600,000 and £700,000 of essential service developments will remain unfunded if the Budget Propositions are approved. The Committee reluctantly accepts that, in the context of the States' ongoing efforts to restrain expenditure, this is necessary. Indeed, I will go

further and I wish to thank the Policy & Resources Committee for supporting the considerable service improvements, which they are prepared to, or they are proposing to fund in this Budget.

690 I think the process for setting the Budgets this year has been a considerable improvement on previous years. I was among the Members who last year, and indeed in several previous years, was critical of the Budget-setting process, which although politicians always have to take responsibility for it, essentially used to involve the staff of the Treasury and Committee staff having whatever discussions they had, normally well under the radar of political committees and then political committees being presented with the Budget numbers very late in the process and the whole
695 thing had almost no political involvement, let alone political ownership.

Now I think the Policy & Resources Committee this year, in responding to those criticisms of previous years, has produced a very much better Budget process. I think Committees have been much more involved at a political level, alongside officers. There has been much more opportunity for dialogue. Committees have been given multiple opportunities to return to the Policy &
700 Resources Committee to make the case for any variations in their budgets, which they thought were necessary and I hope that the improvements in this year's Budget-setting process are maintained next year and, indeed, perhaps improved further.

It is important to note that of funding requests for new services, or extensions to existing services, made by Committees, of £27.9 million, if all the Propositions in the Budget are approved,
705 all but £2.5 million of them will be funded. At a time of quite considerable fiscal restraint, not austerity, I think Deputy St Pier was right about that yesterday, or whichever day it was, but considerable fiscal restraint, I think that that is quite impressive in terms of being able to support Committees and fund their Budget requests.

I have said this before, but I have been in the States long enough to remember a time when Budget requests made by Committees to the Treasury were generally met with 'no' and if a
710 Committee had dared to lay an amendment to a Budget or gone back to P&R and or their predecessors and said, 'Do you think you could vary our cash limit for next year, because we have got particular pressures in this area?' they would probably not have even been let through the door, let alone had any kind of co-operation or negotiation.

715 So I do not think that the Budget-setting process is perfect, I do not agree with all the Policy & Resources Committee's recommendations. I think they sometimes get it wrong but I do think that their efforts to engage with and co-operate with other spending committees are far beyond those of previous senior Committees.

The increases in expenditure, in real terms, which are set out in this Budget, are possible
720 partially because income and tax receipts are greater than anticipated and this is very good news economically. Paragraph 3.2 of the Budget – I have written 3.2 but actually it is not 3.2. Anyway there is a paragraph in this Budget, which explains that there has been real terms growth in the economy, as measured by GDP, and real terms growth in average earnings.

725 Although I think we ought not to be complacent, economically, and we ought not to ignore that there are significant challenges for some sectors of the economy and some sectors of the economy are suffering and not experiencing any growth at all. In fact, in some areas, there is probably contraction. But, actually, the underlying data indicates quite healthy economic trends in what is a difficult global environment for the economy.

It will be popular, even populist, as we move into an election year, to talk down Guernsey's
730 economy and to say that we are going to hell in a handcart and the States have got everything wrong, and to paint a picture of an economy, which is sluggish and in which there is no growth. But actually the underlying data is healthy. There is not any room for complacency but the employment figures are healthy, the average earnings figures appear to be heading in the right direction, GDP is increasing in real terms and I think that we ought not to allow the doom-mongers to prevail. Equally, we ought not to be complacent and imply that there are not
735 significant challenges, still, in the economy.

I think another point of commendation for the Policy & Resources Committee and their predecessors is that, since 2012 – and I think that date is particularly relevant – there has been an

740 extra £11 million of income raised through the widening of the 10% rates on company profits. Now whether we can still claim that our general rate of company tax is 0%, I am not sure that we ought to spend too long debating that, particularly not publicly.

745 But I think if it was widened any further it would get increasingly difficult to defend. But I remember serving in a States' term where we were told that the 10% rate could not be broadened at all and yet, in the last two terms it has been widened considerably and that is to the great benefit of spending Committees and the recipients of their services.

750 However, at paragraph 3.27, I suspect I have got that wrong as well because I do not think 3.2 has got anything ... that is right, is it, 3.27? Yes. Deputy Dorey knows it without even looking! It says that company profits make up 37%-44% of GDP and tax on these profits accounts for 17% of Income Tax revenues. Now that very neatly captures the post Zero-10 environment where, inevitably, there has been a shift in the tax burden from company profits to individuals.

755 A significant part of that relates to increases in TRP. Now on page 124 there is a table, there are two tables but the first table shows the impact of the implementation of tiered ... no it does not. It shows the impact of all measures implemented between 2015 and 2020 by equalised income decile.

760 Now while it is true that those, as you move up the income scale, you are paying more in absolute terms, as a proportion of gross household income, we have managed to devise an almost perfectly regressive system because, with the exception of the households in the third income decile paying a slightly greater proportion than households in the second income decile, there is a perfect trend that the greater your income the lower the proportion of the measures, the tax-raising measures. I do not think that that is inevitable but I fear that, if we looked at all of the fiscal policy changes since 2008, in relation to individuals, we would find that that trend has been replicated generally.

765 I suspect that a greater proportion of the household income of low income households is now being taken in tax than was the case previously and that, possibly a greater but not as great increase in the proportion of tax taken from higher income households, I think that has been a feature of our tax changes in the past decade or so.

770 That must be a major focus of this fiscal policy debate that we are going to have in January. But I also think we need to manage expectations around that debate because, as I understand it, it will be a proposal effectively to set terms of reference for the next States to carry out a review of fiscal policy, which is probably going to last, certainly months if not years. So I doubt that we will emerge with any solutions from the January debate, interesting and useful though it will be.

775 At pages 46 and 47 of this Budget Report, the Policy & Resources Committee advise of the findings of their review of making changes to Income Tax rates and personal allowances, in an effort to benefit low income households. They conclude that they are not pursuing the introduction of either a 10% Income Tax band or an additional personal allowance, as either measure would be prohibitively costly and the benefits would fail to target those individuals on lower middle incomes and would add administrative complexity and cost and I have written next to my paper copy of the Budget Report, 'good'.

780 I am very pleased they have reached that conclusion because it was always quite obvious that that would be the outcome and that those sorts of measures are clearly a very inefficient way of assisting low income households. In fact, personal allowances, generally, are a very, certainly very expensive, if not inefficient way of assisting low income households.

785 If we want to do something to alleviate the tax burden on low income households, and we should, sticking plasters will be insufficient. What we would need is a substantial shift in tax policy, away from taxes, which fall disproportionately on low income households, and towards taxes, which fall disproportionately on high income households. That will not be done simply by making relatively minor tweaks to existing taxation.

790 If you look at page 109, you see a very helpful table, which provides an illustration of the tax liability for Guernsey resident individuals and shows that, in fact I thought this was the most illuminating page in the whole Budget Report. It shows that if your individual annual income in

Guernsey is £30,000 per year, your tax liability is 22% of gross income. These things are obviously averaged, or equalised, or whatever the word is, but generally speaking we are told an individual with an annual income of £30,000 per year could expect to pay tax, which represents 22% of their gross income.

795 If your individual annual income is £500,000 per year, you can expect to pay tax equivalent of 22% of your gross income. Exactly the same percent. Okay, very few people are earning £500,000. A greater proportion of people are earning £50,000, or £75,000. But, if you look at that table, you see that there is almost no change in the percentage of gross income that is taken in tax as you move up the income scale.

800 Between £75,000 and £200,000 of annual income, there is no change at all. It is 25%, whether you are earning £75,000 or £200,000. In fact, if you earn £75,000 or your income is £75,000, you can expect to pay 25% of your gross income in tax, but if you earn £500,000 it goes down to 22% in tax. That is a commentary on the structure of our tax system. That is not progressive. That is bordering on being very regressive.

805 So I think we have to bear that in mind, as well, when we debate fiscal policy in January, or whenever it is going to be. Now I am not saying these things because I want to see aggressive attempts to take vastly greater amounts of tax off a relatively small number of high earners. Why I am saying these things is because I think we need to be very cautious about what is actually possible in terms of progressive changes in our tax system.

810 It is all very well to say we need to raise tens of millions of pounds a year more in tax revenue, largely to pay for changes in demography, but for other things as well, and then to say, 'But we need to do it in progressive ways.' Well, the figures in that table show that, if we are to meet that objective, we need a very substantial shift in our tax system and, bearing in mind that it is inconceivable the States are going to introduce taxes on capital and we have relatively little room
815 to make significant changes in two or three other areas, including possibly taxes on company profits, we are operating in a very narrow envelope.

Actually, something that Deputy Roffey said yesterday, because clearly part of that debate in January is going to invite the States to consider what appetite they may have for consumption taxes, we may be left, as the options narrow, with having to introduce new fiscal measures at very
820 much higher rates than we might have envisaged, in order that we can put in place mitigating measures for people who would be unable, reasonably, to afford that higher burden.

I will give way to Deputy Dudley-Owen.

Deputy Dudley-Owen: I am very grateful to Deputy Fallaize for giving way, because it is
825 something that he said a little while ago and I have been mulling it over and just wondering, if he can further explain why he thinks that our flat rate of tax is regressive, when we also allow allowances and deductions, because a flat rate of tax for someone, clearly, who is earning 20% of £500,000, is far more yield than 20% of £5,000, for argument's sake. So I am at pains, if you also give the person on the lower rate of pay the allowances and deductions, to understand his
830 rationale why that is particularly regressive, but I am open to interpretation, so please do tell.

Thank you.

Deputy Fallaize: I will reply to that point in a moment, but I will give way to Deputy Laurie Queripel first.
835

Deputy Laurie Queripel: I wonder if I could help with that point, sir? I might be totally missing the mark but is not Deputy Fallaize talking, in part, at least about disposable income? If somebody is earning £30,000 and there is £6,000 being taken out for tax, they have only got £24,000 left of disposable income. If somebody is earning £100,000, £200,000, £500,000, they have got way more
840 disposable income left and surely that is part of the equation – that people earning a small amount are paying quite a lot in tax, comparatively? It is a much harder burden for them to bear than somebody who is earning a lot of money and paying a relatively small amount of tax?

Deputy Fallaize: Well, in economic terms, our income tax system is neither progressive nor regressive, because, with the exception of personal allowances, which in percentage terms do not
845 make a significant difference, the general rate of Income Tax, the single rate of Income Tax, is 20p in the pound. What makes our tax system regressive overall is not income tax but is the effect of other taxes. Property taxes would, for example, make a reasonable contribution to that.

Now consumption taxes are, arguably, if they are general consumption taxes, the most regressive taxes of all, but that may be why the States want to introduce consumption taxes as a
850 solution to the future funding problems, challenges. The rates may have to be very high in order that mitigating or compensating measures can be put in place, because we clearly cannot expect people on low incomes, and many people on lower middle incomes, to pay a greater share of their income than they are already paying in taxation.

In any event, by far the two best things we can do, in policy terms, to assist less affluent households are, first, to provide first class public services, because less affluent households
855 consume public services disproportionately and they are more reliant than other groups on the quality and range of public services. So the very worst thing we could do for less affluent people in Guernsey, is to starve our public services of cash in a very misdirected attempt to save on public expenditure, because the negative effect of that would bear disproportionately on less affluent
860 people.

And the second thing we can do in policy terms to assist less affluent households, is to make our social welfare policies as generous as possible. The Committee *for* Employment & Social Security has been making steps in that direction but it is very important that the States maintain that progress.

865 We have a situation, which that Committee is bringing to the attention of the States in this debate, where people, typically in work, in relatively low paid work, but not the lowest paid type of work, with typically slightly larger families, very many of them will be States' employees, they are hitting, now, the benefit limitation and, therefore, they are not in receipt of the social welfare assistance, which this States has decided they should be in receipt of once their needs are
870 calculated. If the States do nothing else at this States' Meeting, they must do something about that.

There is also, I think, a need, as we get into an election year, to counter a couple of other myths as we embark on the review of fiscal policy. At page 108, Government revenues as a percentage of GDP are compared in various jurisdictions and, in Guernsey, tax receipts as a
875 percentage of the size of the economy are very much smaller than they are in most other jurisdictions.

Now you can reasonably say that you cannot really compare Guernsey with the UK or with France or with other large jurisdictions in that regard, and there is something in that, and they have defence spending, for example, and all sorts of other commitments. But you can compare
880 Guernsey with Jersey and you can compare Jersey with the Isle of Man and our Government income, our tax receipts, as a percentage of the size of our economy are substantially lower than in Jersey.

The tax burden in Guernsey is substantially lower than it is in Jersey. It may be distributed differently. The balance of public fiscal policy in Jersey may feel differently because their spending
885 is much higher than ours and so very often people will feel they are getting more for what they are paying, but in terms of the tax take, our tax take as a percentage of the size of our economy, is substantially less than in comparable jurisdictions.

If you look also at what is funded by public expenditure, which is set out at page 111, the vast majority of public expenditure is on social benefits, particularly pensions. Pensions are consuming
890 a much greater proportion of public expenditure than almost any other area of public expenditure, going directly in pension benefits. That is right but it is an important point, I think, to note, and then expenditure on Health & Social Care, and Education, if you look at that chart on page 111, it shows just where public expenditure is going and, if States' Members are inclined to

895 want to counter any myths surrounding public expenditure in the months ahead, they could do worse than refer to that chart.

I have got two points to make, quickly, I hope, before I sit down. One is having commended the Policy & Resources Committee for what I think is a good Budget, the best possible Budget that they could have laid in the circumstances, they do need to be criticised about one thing. That is the processes now in place for accessing funds under their control. I think it was Deputy Meerveld who spoke about delegated authority to the Policy & Resources Committee. I think his point was a bit misplaced because, actually, the States delegates authority to all of its Committees. In terms of financial authority the States has delegated quite a lot of authority to the Policy & Resources Committee but that is because it is the Policy & Resources Committee and it is meant to be the senior Committee.

905 But it has oversight, now, over a lot of funds where it has delegated authority and I am not saying that they have done this consciously, I think there are lots of historic reasons, which Deputy Le Tocq referred to yesterday or the day before. But the processes for accessing funds, some funds, under the management of the Policy & Resources Committee are now absurd and I think, if the Policy & Resources Committee was to get into dialogue with most Committees about that, they would be advised of the same thing.

910 There needs to be real, genuine, rigour and scrutiny and challenge around accessing even quite modest sums of money, but certainly large sums of money. But we have reached a point where Principal Committees find it hard to access funds in order to deliver established Government policy, whether it is in relation to revenue expenditure – the Committee for Employment & Social Security has suffered particularly in that regard – whether it is with regard to capital expenditure, whether it is with regard to organisational redesign and paying for redundancies.

915 All of these things where the Policy & Resources Committee has lots of delegated authority, their processes, which they oversee, they have not in large part been responsible for putting them in place, they have grown up incrementally but the Policy & Resources Committee is responsible for them and they are gumming up Government in Guernsey and the Policy & Resources Committee needs to do something about it.

920 If you look at capital expenditure, I do not know how much more we are going to transfer every year into the Capital Reserve before we actually spend some of it, but we will soon be at £0.5 million and we have often lengthy debates in the States on great points of principle about how much should be allocated to the Capital Reserve every year and it is largely academic, because almost none of it is being spent.

925 That is largely because of the processes, which the Policy & Resources Committee is overseeing. I am a supporter of theirs, I think they have done a good job in this term, I think they have put a good Budget before the States, but they need to do something to help the States to deliver good Government and timely Government and I hope they do that before the end of this term.

930 One final point is that there is mention in this Budget Report of a sports strategy and it is understandable why that is not proposed for funding in 2020 because the States have not debated it yet, but I can assure the States they will be debating it in the early months of 2020. It is coming back to the States because of a States' Resolution. The States directed a sports strategy, our Committee is currently preparing one.

935 It will require some investment. It is very important to deliver on some of the other ambitions of the States around the health of the community and the participation in active pursuits and I hope the States will be able to support the Committee when we come back in the early months of next year.

940 Thank you, sir.

The Bailiff: Deputy Ferbrache.

945

Deputy Ferbrache: Sir, I would like to follow on from some of the points ably made by Deputy Fallaize. Although we all individually, and sometimes collectively, disagree with Deputy St Pier, who is the leader of our Policy & Resources, the stewardship that he, over the last three-and-a-half years that I have been in the States, has taken command of our finances in very difficult times is to be commended.

We are living, now, in Guernsey, in a place which is much more under the international gaze than it ever has been. That international gaze is not going to go away. Once you have been noticed, you are never unnoticed. The world economy crashed in 2008 in a way that nobody had envisaged. Nobody could have envisaged it. It is alright looking backwards, but nobody saw it coming.

We, then, in Guernsey, in 2008, having had massive surpluses, and it was very easy to be Chancellor up until that particular time, you did not need any qualifications, the money gushed in and it just came in and you decided what you were going to spend it upon. From 2008 onwards, the world changed, and we also had the change in relation to Zero-10. I was not in the States at the time, but at the time that was exactly the right policy to follow. We could do nothing different. As Deputy Fallaize said, that meant the shift went from corporate taxes to individual taxes.

Now we have come out of that a bit and Deputy Fallaize has taken States' Members to the relevant part of the Budget Report, where it shows that more taxes are being clawed back from the corporate sector. But he thinks, and I think he might be right, that there is probably not a lot more mileage in that. There may be a little bit. It may be you will be able to get another £5 million here or £3 million there. None of those are mere bagatelles but they are not going to make the difference we are talking about.

Many, probably now, years ago, when I came back into the States, I was down in what was the Members' Room in Frossard House, a very attractive room that had no windows that you could see anything from. So I was reading from, I think, the States' Accounts from about 70/71 and I think the income of the States then was something like £8 million or £9 million.

I know we had rapid inflation in the 1970's and 1980's and those of us who are old enough were paying mortgages at 15%, 16%, 17%. But it did not matter because the value of your property went up 15%, 16%, 17%, so it really was not that important. Thankfully that was controlled in the due passage of time.

But when we look at our financial position now and Deputy Fallaize has taken States' Members to various parts of the Budget, if we just look at page 5, which is paragraph 1.22. And the figures were right at times of printing as it were. That showed total revenue of £479 million, expenditure £432 million and surplus of £47 million.

Well you can tinker with those figures a little bit and there are some projections, etc. But how many places in the western world or otherwise, how many jurisdictions in the western world or otherwise, have that kind of surplus? Very few. But that is where we are prudent, because Deputy St Pier, in his opening remarks, which seemed an aeon away, when this debate started, told us that if we did akin to England, we would have a Budget deficit of £100 million per year and we would have a debt of, I think, £2.8 billion or thereabouts.

Now we cannot ever be in that situation, firstly because it is not in our genes. We just simply cannot do that. If you are a Guernseyman or woman and you owe five pence to anybody you want to pay it off as quickly as you can. But secondly, big countries are not going to go bankrupt. The United States has got debt that it has got no chance of every repaying ever. Britain is in the same position. I cannot remember if it was Pitt the Younger or Pitt the Elder that brought in the national debt. That was going to be paid off quickly. Well, there we are. The only person who has made real efforts to pay that was Mrs Thatcher, then they got rid of her and things got a lot better after that, did they not?

In connection with all of that, we cannot go out and borrow hundreds and hundreds of millions because we are a small jurisdiction. We have not got the financial clout to be able to engage that. So we have got to live within our means. Deputy Fallaize also made the point, in relation to reserves, why do we not spend it. Deputy Parkinson said a similar thing, I think, earlier

yesterday, when he was speaking; again, a very good and balanced speech. Because we spent very little during this term, the waste disposal recycling plant, etc. is probably the only major example.

1000 But that does not mean you look enviously on the reserves we have got. We have got a Capital Reserve, unallocated, on page 5, of £230 million; we have got a core investment reserve of £185 million. I think that used to be called the rainy day fund but was re-designated. Then we have got General Reserve, Transformation Transition Fund available £13 million, corporate housing available of £22 million, etc.

1005 So we have got plenty of cash available but we have got to spend that wisely. Deputy Tooley made the point yesterday, when she was speaking, that if you ask anybody do you want to pay any more tax, they are going to say, 'No.' But if you say to them, what about reducing services, they are going to say, 'No.' Because we provide, and again a point made by Deputy Fallaize, we provide first-class services and the people who generally benefit from those, more than others,
1010 are the people with low incomes and the elderly.

We do not want to take anything away from that because that is the idea of an Assembly, of a Government, to provide for those people who are in need. As a friend of mine once said, rich people can generally look after themselves. Health-wise they can do that. They have got the money, they have got the assets, they can attribute those. So I think everybody in this Assembly,
1015 we may have different views on lots of things but our common aim is to help the people that need to be helped.

Now in that regard, how do we do it? We do it, as Deputy St Pier is advocating to us, by having a balanced, considered Budget. That is why I have supported all the major points of this Budget, because we should have this debate and it should be wider than that, I think, somewhat
1020 Doomsday scenario looked at it by Deputy Parkinson, that he thinks, in January, February, whenever it is.

I hope that we, as States' Members, will not be thinking, 'My goodness there will be an election on four or five months' time, let us not speak frankly because if we advocate some tax-garnering measures we are going to be criticised.' We have got to put that beyond us. After all, being a
1025 States' Member should not be a career and if the votes turf you out, well, they turf you out. That is life. Go and do something else. Be a traffic warden, because there is a shortage!

But we can only go so far. Deputy Fallaize took you to the table, which showed, if you are earning £30,000 a year, the percentage is such and such. If you are earning £500,000 per year, it is the same percentage. Deputy Dudley-Owen made a point, it is a big difference, though. You are
1030 paying over £100,000 more in actual money. It is like the example I gave. You cannot go to the butcher and say, 'I have got work in progress I need £500,000 in my firm.' 'How much cash have you got, because that chop costs £3?' 'Well I have not got any, so I will go.' Because he is not going to give you a chop unless you can pay.

It is money that makes the world go round. It helps pay for all these particular services and the
1035 difference, we do see it, I think it actually peaks at £150,000, which is 27%, all of that is easily explained, because that is where the cap is for Social Insurance contributions, it is £149,000, whatever it is. After that, it decreases, because you do not pay any more if you have got £250,000 or £350,000 or £450,000.

So we have got to look at what we can do but we cannot keep – I am going to support these
1040 proposals – but we cannot keep taxing the same things any more. It becomes onerous, it becomes usurious, it becomes unacceptable. TRP, it might be lower than lots of other places, but it is still much higher than it ever was. You have only got to walk up and down our main streets to see how many empty offices there are, how many empty shops there are, and that is not changing. Mothercare has gone bust in the UK, Monarch has gone into liquidation, Thomas Cook has also
1045 collapsed.

Thomas Cook has been around for over 100 years, Mothercare for 50 years. Lots and lots of companies in England are going to their landlords and having company voluntary arrangements (CVAs) to reduce the rents. We are not immune to that and although we have a good economy, it is an economy that could easily tip from good to bad overnight. We are completely dependent on

1050 two or three main industries: finance sector, overwhelmingly, but also we have got wonderful entrepreneurs here, like the people who run Specsavers and other businesses such as that, Blue Diamond, just to name two. There are others that are a credit to this Island.

The more businesses that we can centre in this Island, and they go out and conquer Jersey and they conquer England and they conquer elsewhere, so much the better, because you will always play better on home territories. I am not going to say, because people think I am aggrieved, but some of our major law firms now are not controlled from here, they handle the interests of this jurisdiction; I regret that bitterly. We have got to have things centred here.

1060 There is a chap I talk to, who talks to me, who is a lovely man, and he comes and taps me on the shoulder from time to time, walking through Town or wherever he may be, and he tapped me on the shoulder during the course of this week, by the Town church. A lovely man, he is in his 50's, he cannot work for health reasons, but he is a thoroughly decent citizen. He said to me, 'Peter, could you ask your colleagues to bear this. I am asset rich.' Well he is not really, he and his wife, they have got a house, it is not Buckingham Palace, it is not Trott or Trump Manor, it is just an ordinary house, but that is their asset. But they are income poor.

1065 He gave me the figures, which I am certainly not announcing to the States as to what they are. He gave me the figures as to what he and his wife have to live on and it is very modest indeed and he said, 'TRP really hurts us. Indirect taxes really hurt us. Can you have regard to that when you are making your decisions?

I do not think we have got much option but to follow this Budget on this particular occasion but we should try and be more innovative.

1070 Now, Deputy Kuttelwascher and I were almost chased out of this Assembly a couple of Budgets or so ago, because we have had the audacity to try something innovative. We were persuaded –

1075 **Deputy McSwiggan:** Point of correction, sir.

It was an excellent idea but it was constructed in such a way that it would never have worked. I wish Deputy Ferbrache would come back with a similar idea, constructed in a more plausible manner.

1080 **Deputy Ferbrache:** I am very grateful to –

Deputy Fallaize: Point of correction.

1085 On a second point of correction, I do not think it was quite right for Deputy Ferbrache to say they were chased out, because I think they withdrew their amendment when I was on the brink of voting for it.

1090 **Deputy Ferbrache:** I was going to explain all that if I was not interrupted! (*Laughter*) Absolutely, we did withdraw it and Deputy McSwiggan is right, it was something that needed fashioning and needed moulding. It was a first attempt, really. But that was not the purpose of what I was going to say.

We went off, Deputy Kuttelwascher and I, Deputy Mooney, Deputy Merrett, and I think Deputy Dudley-Owen but I am not sure if she could make it. Anyway, we went off as Members of the Committee for Economic Development to see the members of the great and good from the finance sector and they were going to come up. We left it, we did not come back and try and say we will argue it, we will try and mould it and mend it as Deputy McSwiggan says we should and I fully accept that. Because we were told they would come up with some innovative ideas and we did not have to bother about it, so give them 12 months and they would do something.

1100 Well, that was a lot longer than 12 months ago and they have done absolutely nothing constructive at all. So we need people like them not to just promise they will do something but to actually do something to help Deputy St Pier to help us as States' Members to come up with some innovative way, there is no easy way, of coming up with taxes.

1105 I am standing here not only as an individual Member, I am standing as President of the States' Trading Supervisory Board and, at Proposition 39, we are asking amongst other things, for the States to approve the accounts of some entities for which STSB has responsibility on behalf of the States of Guernsey. I am not going to say too much about those. Those accounts are there, hopefully they are not contentious, and they show the quality of the service that is produced in Guernsey by States-owned, controlled entities. We are very lucky to have entities like Guernsey Electricity, Guernsey Water *et al*, that serve this community so well, at the best prices that they recently can.

1110 We took a decision. It was at odds with P&R – we respect their view and they have respected our view – that we would be encouraging the entities for which we are responsible, not to go out and try and maximise profits, but to go out and whatever money they could earn, to reinvest in whatever they were doing, in electricity, water or whatever, and to make sure that the prices that they charge the consumer are as low as they reasonably can be.

1115 Now, for some, they are still going to be too expensive, but there is not much we can do about that. Deputy Queripel rightly said yesterday the issues should be respected in relation to Aurigny, I do not want him to interject, I cannot remember how long, over seven years six months, he has been a States' Member, but in the seven-and-a-half-plus years that he has been a States' Member, or at least concerned.

1120 He expressed a view that many people outside of this Assembly have in relation to Aurigny. It was a bit like when Deputy Paint was expressing his view on behalf of people who receive benefits, etc. Deputy Paint, in the course of, as people stopped and interjected helpfully, Deputy Paint made very clear that that was the view out there. That was what people held. Deputy Lester Queripel would say that was his view but that was also the view that was out there.

1125 Let me say that he addressed Propositions 34 to 37, in particular, in his speech, and I can understand that. Now the States has got to decide in due course, assuming it passes Proposition 38, what it is going to do in connection with air travel. It has got to have a joined-up policy. Because of the nature of our Government, we do not have a joined-up anything, really. P&R is Policy & Resources, but it has no executive power. It seeks to lead and whenever it seeks to lead it gets criticised.

1130 I have criticised it on occasions, albeit my criticism has always been valid and logical. In relation to that, it seeks to lead, and then we go off and do individual things, which, whether you are E&I, whether you are Education, you genuinely think are in the best interests of the people of the Bailiwick and you are carrying out your mandate as best you can.

1135 As Deputy Green said, there is a jointly commissioned report by Scrutiny Committee and STSB in connection with Aurigny. That produced the Nyras Report, recently. Now it is not here to argue too much about Aurigny but those Propositions that Deputy Lester Queripel has rightly drawn to the attention of the Assembly are very important, because we are asking, as a body, as STSB, and P&R are asking that the overdraft facility for Aurigny is authorised for over £25 million with the other additions that have been referred to in the other Propositions within those numbers. That is a massive amount of money.

1140 It is a vast sum of money for a small place like Guernsey, with a tax take of £470 million-odd and a continuing position. That cannot be supported year on, year on – unless the States make a decision by next April or in next April, when it decides what it wants to do with its air links and then it will give clear guidance to STSB, it will give clear guidance to Aurigny, which is just part of the picture. It is just part of a picture.

1145 Now Nyras said this, and I am not going to read all the executive summary – sorry, this is a bit crumpled, my dog was sitting on it. It said:

The selections of the jet and ATRs to the route network have been good choices compared to other types. Only the Gatwick route is profitable, which means all other services may not be viable in an economic downturn. Open skies and the change of fare structures is creating opportunities for a high utilisation and revenue management optimisation. Network scheduling onto the fleets needs review to deliver optimised profit and service.

1150 But it also concluded this, the very last of the 11 points in the executive summary. It talks about:

Since writing our report a profit warning has been announced about Aurigny. We have not seen any detail. We believe it is reasonable to assume that much of this deterioration can be attributed to the significant increase in supply between Guernsey Channel Islands and South East England exceeding demand. The impact could deteriorate into the low season winter. This highlights the need for a realistic, holistic and optimised aviation strategy for the Island.

Really for the Bailiwick. Now that is what we did. But I think also the public and States' Members are entitled for some figures in relation to Proposition 34, because that is the funding requirement for the overdraft. Now if the States were to say, 'We are not going to approve that Proposition and we are not going to approve the ancillary ones, 35, 36, 37 ...' then Aurigny, within 1155 a very short period of time would not be able to trade. So you would not have to worry about Aurigny because the planes would not be able to take-off. (*Interjection*) Of course.

The States, if it is going to act responsibly, which I believe it will, has no option but to approve those Propositions. The £25 million is made up as follows. The States had already approved a funding requirement of £15 million. The 2019 forecast losses increased to £7.6 million but the 1160 adverse impact in cash is less than that, it is £1.5 million.

So you have got the £15 million, you add the other bits, which is another £1.5 million, you are up to £16.5 million. Losses in 2020, excluding the loss on the sale of the old Dorniers, because that is a book loss – it is still a loss on your balance sheet, but it is not an actual cash loss – is 1165 £8.6 million and then there are the usual things you have when you have a business of this nature, movements of working capital, depreciation and repayments of aircraft loans of another £600,000 and if you add the £8.6 million and £0.6 million in the other figures, that gives you £25.7 million. It is an eye-watering figure, but there is no option and no alternative to it.

Now I can give you lots of other statistics about Heathrow and about Gatwick and about all these other routes about why Aurigny went onto the routes that they did. That is for another day. 1170 That would elongate this debate considerably, but there are credible explanations in relation to all of that, which could be given and which the States could consider.

But we are already three-and-a-half days into this Budget debate and we are not finished yet. As I said, we had, I thought, a very update and good and constructive speech from Deputy Parkinson yesterday, about the work Economic Development are doing ...

1175 Sorry, I give way to Deputy Dudley-Owen.

Deputy Dudley-Owen: Sir, thank you to Deputy Ferbrache for giving way. I have sent correspondence recently to Deputy Ferbrache and his colleagues on STSB, asking whether we may have a presentation for the States' Members forthcoming about the losses and all of the 1180 operational decisions that have been taken in that regards, soon, and I wonder if he might be able to give us an update, please?

Deputy Ferbrache: That is a very good point. It has not been overlooked and it will happen. It should happen. There should be a presentation to States' Members on those topics. I fully accept 1185 that.

Going back to the comments that I am going to make in relation to Deputy Parkinson's speech yesterday. He talked about what they are doing and they are doing it well, but it is difficult. There are no magic answers and he talked about trying to diversify. Part of their policy is to diversify what we do. That is a great idea, whether it is digital or whatever, but all of that takes time. What 1190 we did, led by Deputy Trott, others have had massive input into it, too, was approve, and I am sure we will approve it formally when we get around to making our vote, approve the green finance initiative, the amendment in relation to that. Because our core industry, which we must protect, is our finance industry.

I know in Guernsey, we had tomatoes, we had grapes and we had quarries and we had all that 1195 kind of stuff and that gave Guernsey wealth, but the wealth was channelled into the hands of very

few in those particular days. It is much more evenly spread now than it ever has been. People are better off, generally, overwhelmingly, not everybody, but overwhelmingly, than they ever have been.

1200 That is difficult to maintain and difficult to achieve. What we have got to look at too, we are prudent people. We have got a high degree of home ownership and when you are elderly, that is generally your main asset, that is the asset you have got. I would not like us to discourage, by the way that we operate in this Assembly, from elderly people from two things: firstly being forced out of their homes unless they want to leave; and, secondly, being taxed out of their homes.

1205 I want old people to have their heating on when they want it and not wear a jumper, even if it is a Guernsey, and I want them to be able to lead attractive and decent lives in their retirement. Because, and Deputy Roffey made the point, whether we like it or not, the whole of the western world, probably the whole of the world, but the whole of the western world is going to have an ageing population. We are not going to be able change their demographics. When Bismarck brought in taxation in the 19th Century, at 65, that was because very few people got to 65. Now
1210 there are quite a few of us in this Assembly who are over-65. Some are even older than me.

The point is, in relation to that, society's demographics have changed. It is not going to un-
change and so that is again another issue we have got. Those are my remarks. I will be voting for
1215 all the Propositions, as amended, and I do end where I began, by commending P&R, particularly Deputy St Pier, for his good work over the last few years.

The Bailiff: Deputy Tindall, do you wish to be relevéed?

Deputy Tindall: Yes please, sir.

1220 **The Bailiff:** I will call the Vice-President of P&R, Deputy Trott.

Deputy Trott: Thank you, sir.

Deputy Ferbrache made a very good speech and I thought Deputy Fallaize did beforehand. There will be a scintilla of repetition from me, but I can assure you it will not be tedious.

1225 Deputy Ferbrache referred to Trott's Palace. Well, it is not a palace, it is a modest little *pied-à-terre* but interestingly, where our outside toilet used to be, at the bottom of the garden, there are now some stables and Deputy Roffey, in particular, may be interested to know that we pay more TRP on those stables than we do on the dwelling house. So he is not alone in considering some of the classifications as being a flick bizarre.

1230 My opening remarks are going to be this: the average taxpayer gets a very good deal in this Bailiwick and I shall prove it in a moment. But first it has been a pleasure working with my incredibly able colleagues on P&R, particularly Deputy St Pier, whose leadership, energy, commitment and consistency has been exemplary. I have a saying that I am at my happiest when I am the least smart person in the room and very often ... it is not an experience I have enjoyed very
1235 often in this Assembly, sir. (*Laughter*) It is however an experience I enjoy regularly when attending the Policy & Resources Committee's meetings.

Some have said that there is little in this Budget for the economy. Nothing could be further from the truth. What this Budget tells us is that we are an incredibly low-tax economy and there is no better building block, no better foundation for business, than that environment, and it is an
1240 environment that we have successfully maintained for a number of years.

It is important that we all have a very clear understanding of the cost of essential services. Many people will be surprised to learn, for example, although it has been said on many occasions, that the revenue costs alone of educating a single student in the state secondary system for a year exceeds the annual taxes paid by the average Islander.

1245 In fact, sir, you have to earn £50,000 a year before you contribute enough to General Revenue to cover the cost of the revenue cost and the capital cost of a single child for one year in the state system. That is an extraordinary statistic, one that others have used as well to highlight the point.

On average, we pay around a quarter of our income in tax, in an increasingly progressive system, and this makes us a low tax jurisdiction and I would prefer it if those conditions remained. Let us be under no illusions: that is my preference.

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Across the course of their lives, Islanders benefit from a huge range of public services. In most cases, the total value of these services is greater than the amount they might pay in taxes and contributions. That is to be expected. While part of this cost is sustained by other sources of revenue, such as tax on property, as the population ages and demand for services grows, this position is becoming unsustainable and I think we all accept that.

1255

So what does it cost to fund Bailiwick public services? I think there are a number of people in this room who may say £450 million, £500 million, £550 million, £600 million. Well the answer is it costs about £2 million a day, around £700 million a year goes out the door to pay for pensions, teachers, nurses, policemen and so on. Or if you prefer, sir, and I know Deputy Ferbrache will like this, over £80,000 an hour. I know he only currently charges about £1,000 an hour, but it just shows there is some head room! *(Laughter)*

1260

Do we live in a low tax jurisdiction? Well, look at page 108, as others have explained. There are many things in this Budget that are worthy of repetition but this is certainly one of them. Guernsey's tax take is unusually small relative to the size of the economy. Guernsey collects aggregate revenues, excluding investment return, of 21% of its GDP. As Deputy Fallaize said, there is a very obvious and relevant comparator and that is our neighbours Jersey, where their revenue collection is around 26% of their GDP. We do a stratospherically good job in providing the level of public services we do, with only taking 21% out of our economy.

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Do we have a progressive tax system? Deputy Fallaize spent some time on this, sir, but again over the page on 109, we can see clearly that, if you earn £20,000 a year, you pay 19%; £30,000, 22%; £40,000, 23%; £50,000, 24% and you have got to be up to the sorts of earnings that Deputy Ferbrache is on, £150,000, before you pay 27%. That is progressive. I took his other points but it is progressive by any measure.

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In 2007 I remember standing in front of a packed audience at Beau Sejour at the time of corporate tax reform, when people were fixating on a revenue deficit that we had, the so-called black hole. People were unconvinced were, a lot of them anyway, when I said to them do not worry about the black hole, it is a revenue deficit that we can structurally deal with. What you need to worry about is our grey hole because back then, 12 years ago, it was obvious that the demographics were going to be our biggest challenge and nothing has changed.

1275

In January we are going to be talking about some funding options and those funding options are, I suspect, going to be one of the biggest challenges that we have faced in a whole generation. I say that because we run the risk of disrupting our stable, economic foundations. We run the risk of moving away from what I think most would genuinely consider to be a low tax environment to something that looks much more mainstream and there will be, potentially, consequences, as a result, that need to be properly understood.

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Some have said we are not spending enough on infrastructure but of course pages 117 and 118 show just how much spending we are about to undertake. We have approved, back in April of last year, up to £32 million on the Waste Strategy. Much of that has already been spent. The Alderney Airport runway rehabilitation, up to £12 million in January of this year, hospital modernisation, £44 million in March of this year, the Future Digital Services, up to £43.6 million in June of this year and transforming the education programme as recently as September, up to £157.2 million. So no one can criticise this Assembly of not investing in the future, but most of that spending will take place in the future, starting during the course of next year, most cases.

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Now, sir, I could not stand without repeating a couple of messages, which I think are somewhat often misunderstood in the Northern Isle, when I make certain comparisons about Alderney. Now on page 70, we are shown that the net cost to the Guernsey taxpayer, as a consequence of fiscal union in supporting Alderney, is about £5.7 million a year.

1295

Apparently there are 2,000 souls on Alderney, which means – and I will keep the numbers simple – about £3,000 a year of subsidy comes from the central exchequer here in the Bailiwick to

1300 the Alderney citizen and it is the Guernsey taxpayer that is funding it because, as we know, Alderney is in deficit so, by definition, it is not funding itself.

If you extrapolate that expenditure to a community of 63,000, and I accept that there are economies of scale but they are certainly nowhere near as extensive as what we have, if 63,000 people were incurring an annual fiscal deficit of £3,000 *per capita*, we would be running an annual deficit of £200 million.

1305 It is a fair comparison. I know that many people in Alderney do not like it, but it is true. Now, getting on for £1,500 *per capita* is the £3 million a year that Aurigny loses servicing Alderney. Again, if you were to apply those same degrees of losses to 63,000 people, and this is a fair comparator because we all travel on airplanes, whether you live in a small community like Alderney or a marginally larger one like Guernsey, 63,000 people incurring a *per capita* loss of £1,500 would suggest losses for the airline of £100 million and yet the losses for the airline –

I will give way in a moment because I look forward to the challenge –

1315 **Alderney Representative Roberts:** Point of order, sir.

The Bailiff: Point of order or point of correction?

Alderney Representative Roberts: Point of correction.

1320 **The Bailiff:** Yes, Alderney Representative Roberts.

Alderney Representative Roberts: That is unproven.

1325 **Deputy Trott:** Yes, well we have heard. In saying that, I think what you do, if I am honest with you, Alderney Representative Roberts, is you call into question the probity and the integrity and the honesty of the President of the STSB because he has told you, he has told us –

Alderney Representative Roberts: Point of correction sir. That is not the case.

1330 **Deputy Trott:** Well, it is he that has told this Assembly that the losses are genuine. In fact he has confirmed that the losses on one route alone, Alderney to Southampton and back again, are in excess of £150 per passenger. That is what he said. Now, it is not for me to ...

I give way to Deputy Ferbrache.

1335 **Deputy Ferbrache:** I have certainly said, I think it says £75 each way, which equates to £150. But I have asked for some exact statistics in relation to travel, both Alderney-Guernsey, Alderney-Southampton, for 2018, because that is the last completed year. It is 53,326 people, so let us assume those figures are right. Let us assume that £3 million is the right figure – it might be £3.1 million but let us assume £3 million – you are looking at probably a slightly less figure than that. Certainly, I have said that before, Deputy Trott is absolutely right. It is about £57/£58 per person per trip. So a return trip, the subsidy would be £115 or £116. So I certainly have said that on several occasions before. Those figures were right at the time, to use a phrase I used elsewhere, at the time of writing, but I have checked them overnight to make sure I can give accurate figures, as I thought it might crop up.

1345 **Deputy Trott:** And I am sure Alderney Representative Roberts will join me in expressing our gratitude to you, because those numbers –

The Bailiff: I think Alderney Representative Roberts is raising a point of correction.

1350 **Deputy Trott:** Wanting me to give way again, is it?

The Bailiff: No, a point of correction.

Deputy Trott: A point of correction? Okay.

1355

Alderney Representative Roberts: Point of correction, sir.

The figures from Aurigny are unproven. When Aurigny's accounts, despite the wish of this Assembly and many Deputies' wish to have independent screw-by-bolt answers, they are refused. All those figures are unproven.

1360

Deputy Trott: Sir, the support for Alderney is very significant indeed and I think we all recognise that.

Now, I want to look for a moment, if we may, at the cost of public services, because there is some interesting information within the appendix of the Budget that gives you some useful examples.

1365

For instance ... Well, the examples within the Budget are there for all to read, but I will mention some of them and then I will give you a whole load of fresh information, which I think may be of value. One year of nursing care subsidies, £44,200. One year of residential care subsidies, £23,700. One year of secondary education per pupil on a revenue basis, £9,000. The cost of prison services, per prisoner, per year, £45,000. But in addition to that we subsidised 243,000 GP appointments and 79,000 nurses' appointments in 2018. That is an average of five appointments for every individual.

1370

The average cost of a travel allowance grant for someone needing medical attention off-Island was £2,900. Including fixed costs, the fire and rescue service cost £3,600 per call out in 2018. A heart transplant can be up to £140,000. A neo-natal, intensive care cot costs £3,500 per day. A complex knee and hip operation can cost up to £20,000. A pacemaker implant can cost £4,500. The average cost of a day patient unit case, excluding bowel screening, is approximately £955. The average cost of an oncology day case, for example, the delivery of chemotherapy or bowel screening, is £1,176.

1375

The people of this community get a fantastic deal from public services and it is up to all of us to remind our community of these costs in order that there can be greater understanding and a greater feeling of community that we are here for each other and that these costs are covered as a consequence of our tax policies.

1380

However, sir, in my view, primarily due to changing demographics, we must all be prepared to pay a little more. However, the spending pressures suggest that a little more will not be enough. In fact, the spending pressures suggest that even quite a lot more will not be enough. So the debate in January and the debate into the lead-up to the election, during the election and beyond, has got to be around what is fair, what is reasonable and what is proportionate because the issues will not go away.

1385

As our population ages and demand for services, very expensive as I have shown, grows, this position becomes more and more unsustainable. But it is nothing new. We knew about this in the early noughties and that is why I referenced my comments at Beau Sejour back in 2007. In conclusion, we live in a place that enjoys low inflation, with virtually full employment. We are safe, secure and we have a society that is based on the rule of Law. We are well-regulated, we are internationally respected and generally and understandably seen as a good or even great place to do business.

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We have sustainable growth. We have good connectivity. Not my words, the words of our consultants. We have five-plus years reserves in regard our state pension and we have unparalleled funding of our public sector pension. Sir, Guernsey remains a great place to do business. Our challenge is to keep it that way.

1395

Thank you very much,

1400

1405 **The Bailiff:** Can I just say, we do now have a consolidated set of amendments. We could distribute them now. If anybody wants them, they are on the Greffier's table. Let them be distributed, then and, while they are being distributed, I will call Deputy Soulsby.

Deputy Soulsby: Thank you, sir.

1410 Normally I go through the Budget and cover off some of the items that are in there of particular interest, but the truth is I cannot see anything more important at this moment in time, in respect of States' finances, than the cost of health and care, what we provide and how we pay for it. Very much in keeping and in line with what Deputy Trott said.

1415 The development of the Budget this year has been incredibly difficult for the Committee for Health & Social Care. Over the last three-plus years, HSC has improved its financial controls, its financial reporting and the financial analysis. Processes have been introduced to ensure that all recruitment requests are scrutinised before approval. The framework for the pricing of agency staff has been introduced to control such expenditure. A prioritisation process has been implemented to ensure that all service redesign initiatives are properly costed, reviewed and assessed and positive steps have been taken to agree clear, contractual arrangements with NHS

1420 HSC is more efficient than ever before. We have made savings on underspend, as I mentioned just the other day, totalling £8 million, as a result of service improvements and wider Transformation. Indeed, as I said on Wednesday, all those days ago, we are the only Committee that has already made the recurring savings we identified we could for 2019, totalling £945,000.

1425 Without these collective actions, HSC's quarterly expenditure would be over £5 million more than it is today. We have consistently made more savings than any other Committee this term, such savings that have helped out other parts of the States undertake initiatives that would not have been possible otherwise.

1430 However, growing demand, growing medical advances and growing expectations are putting real and huge pressures on the service. In my last update to the Assembly, I stated that we would overspend our Budget this year by £5 million, not due to lack of financial control but because of real and tangible increases in demand.

1435 One of our number wrote a letter to the *Press* recently, saying he did not believe it. There was not such a thing as the impact of an ageing population. But I thought it would be worth providing just a few examples here, now. Occupancy in the PEH has increased by 10% in the last year alone. The critical care unit has been full to overflowing this summer, which is unprecedented. Radiology has seen an increase in demand of 25% in the last 12 months. We are forecasting a 23% increase in emergency department attendances since 2017. Mental health services and community services are all seeing increased demand for their services.

1440 We have had to employ agency staff in adult community services whilst we wait for an additional 43 permanent staff we have recruited to become available to meet growing and complex needs. Off-Island care has seen a 10% increase in cases, translating into an increased spend of £1.5 million.

1445 In addition, successful recruitment efforts across acute services, combined with the introduction of supernumerary posts to help retention, as well as unpredicted events, requiring expensive locum cover, have meant we have eaten into the vacancy factor that has been used in the past to keep the Budget down and enable funds to be freed up for other Committees.

1450 It is against this backdrop that HSC's 2020 Budget needs to be understood and the requested increase not be seen as unexpected. Our submission totalled £130.5 million, representing a £12.24 million increase over the indicative adjusted cash limit. It is proposed that we receive £124.7 million, with £2 million as separate annualised service developments.

As I said yesterday, the development of the Budget is something of a black art and it took some time to reconcile one with the other and I am not going to explain it in detail here, but the upshot is the proposals are £3.6 million less than we applied for, or £2.1 million, excluding items, which we have been advised can be funded from elsewhere.

1455 Our submission covered £10.4 million of what we consider essential funding. That is funding required in order that current services could be maintained and current demand met, with £1.8 million of items we believe should be funded to meet gaps and service provision. In the event the cash limit increase, excluding service developments and alternative funding, totalled £6.6 million.

1460 This covers £1.1 million of inflationary increases. So of that increase, £1.1 million is just to deal with inflation, with the remaining £5.5 million mostly reflecting an adjustment to our base staff cost to reflect their true cost and that is right, to reflect their true cost. Various adjustments have had to be made affecting prior-year under-budgeting, as well as the elimination of the vacancy factor for a frontline staff, which is no longer justified.

1465 So basically our cash limit just covers off maintaining what we have. It does not deal with increases in demand or any gaps in provision, which are both, oddly, defined as service developments, to propose that we receive £2 million in annualised service developments, which is £1.5 million less than expected.

1470 Let no one think this is a speculative wish list. It is a carefully considered submission, which has been subject to extensive assessment, review and prioritisation by both officers and the Committee. From an initial list of over 60 proposals, with total costs of around £8 million, we have brought that down to £2.1 million of essential bids and a further 14 requests totalling £1.1 million, which we believe could be delayed, but would put strain elsewhere on the system.

1475 These are pro-rated costs, not full annual costs by the way. Every proposal has been subject to extensive internal scrutiny. Now HSC's finance business partner has a simple phrase pinned prominently above his desk: 'Every pound wasted is a patient's lost opportunity.' This message encapsulates the approach taken to financial management across HSC, recognising the need to maximise the value of every pound available to the community.

1480 Here is the proof. What is that, about 7cm of paper? I can assure Members there are plenty more documents on this laptop as a result of the whole summer being spent trying to arrive at a realistic budget. I do not intend to go through, in detail, each of the prioritised requests, in turn, but will provide a few examples, which will, subject to Members' approval, be funded for 2020.

1485 The initial stages for a mental health and wellbeing centre, the need for an accessible, community based service for those experiencing stress and distress, was identified as part of the gap analysis of all mental health and wellbeing services provided across Guernsey and Alderney. My Committee is determined to ensure that, when we made a priority of the P&R plan, that mental health be given equal priority and consideration as physical health, that this should not be hollow words.

1490 An improved diabetic retinography screening programme was designed to increase the number of service users accessing it. A consultant community paediatrician, to cover services such as safeguarding, autism assessment, neuro-disability services, school clinics and support for the Child Development Centre. This is an essential post if we are to abide by the central tenets of the Children and Young People's Plan that every child should be safe and nurtured.

1495 However those areas that at this stage are being funded include the expansion of the community speech and language therapy team, to respond to the 75% increase in outpatient referrals and increased complexity of the caseload. The recruitment of a falls practitioner, already mentioned in this debate, to work across HSC to provide support in reducing falls and ensuring effective treatment and rehabilitation for those who have fallen. Now it is important to clarify here that Deputy St Pier yesterday seemed to imply that this was just an additional post. It is not. This will be a new post. We do not have a falls practitioner for across Health & Social Care.

1500 The development of health and care regulations provide independent assurance around safety and equality of public, private and third sector services, at this point in time, which will be unfunded, and increase provision for the children's dental service, to manage increased demand.

1505 Now we do appreciate the difficult decisions that P&R have had to make in developing the 2020 Budget. We have not wanted to make it difficult for them and we have worked closely with

P&R to get to where we are today. HSC has done its best over the last few years to make their life easier and continues to do so through Transformation, which I will spell out in my next statement.

1510 But whilst the focus on prevention and improving the general health and wellbeing in the population may reduce the scale or complexity of future demand and earlier intervention and more integrated care will improve efficiency and effectiveness, the overall cost will continue to rise. KPMG made it very clear that even making transformational changes, there will be a funding gap in health and care of £20 million by 2027.

1515 It should therefore not be a surprise to anyone that we are where we are. Whilst we can be more efficient and are always seeking to improve, anyone who still thinks that the funding gap can be managed by cutting out waste, clearly has no comprehension of the pressures currently being faced. In any event, any multi-million-pound savings are really only likely to be achievable through Digital Transformation, and that is not going to happen overnight.

1520 As Deputy Trott said, only just a few moments ago, we are very lucky to have the breadth and depth of health and care provision that we do in the Bailiwick and my Committee is proud to represent all those who provide such an amazing service. But this Budget indicates that the time has come for a wider conversation over what the community is able and willing to pay to maintain our services.

1525 The current arrangements are unsustainable if we are to meet growing expectations, be it in how long we have to wait for surgery, how much we have to pay to see a GP, the drugs and treatments we want or the level of care we desire in the community. Something has to give. All the savings that HSC has made in the last three years have been made without cutting services.

1530 We have done it through thinking differently and working differently. The time has come for all of us to think and work differently and, probably more importantly, think and work together to find the best solution for the people of the Bailiwick because decisions are needed and they need to be made now.

The Bailiff: Deputy Le Clerc.

Deputy Le Clerc: Thank you, sir.

1535 Before I start my speech, I would just like to say how important it is that we get to our Uprating Report today. There are IT pressures; actually people are on IT standby for this weekend, and actually if it is delayed until the later debate in November, actually we will butt up against Christmas time and we will incur overtime expenses for our staff. So I would just ask people to bear that in mind when they are speaking.

1540 Saying that, I will try not to be too long in my own speech. Sir, the P&R Committee have the unenviable task each year of producing a Budget. It is apparent that our economy is not growing at the expected rates but I am pleased to say it is at least growing and the level of uncertainty is expected to continue further with no real decisions yet met by the UK on Brexit.

1545 We have heard how Committees are finding it harder to make savings, all the lower hanging fruit being picked a few years ago. Some are realising the savings were perhaps not true savings and some were cuts and we are picking up the pieces of some of those cuts evidenced by some of the cash bids in this Budget.

1550 As we have already debated other savings, such as FTS and Public Service Reform, are not delivering in the timescales anticipated and we are seeing the effects of the ageing demographic, with rising health and care costs. I do believe we need to look at alternative revenue-raising strategies and it is time to dust off the work we did in the Personal Tax and Benefit Review. The review of the fiscal policy framework will be an important piece of work if we are to leave this States in any sort of order for the newly elected States next year and ESS will work with P&R on this work. But we must not underestimate the task and the tight timeline on this work.

1555 One particular Proposition that we are pleased to see addressed in this Budget is the need for an equity release scheme. We know, through our joint working with HSC, on SLAWS, that there

are people that want to stay in their homes longer but have no assets or income, other than the property they live in.

1560 Often the house is unsuitable and needs to be altered to provide greater accessibility, downstairs bathrooms, etc and this scheme will offer that potential to free up the locked assets and I would just like to pick up on what Deputy Prow mentioned yesterday about SLAWS and I think it was also alluded to in Deputy Trott's speech.

1565 The Committee for ESS will be coming back with a policy paper on SLAWS and the delays have been because actually all the alternative funding options will be unpalatable to this States and are very difficult, so there will be some huge decisions that will need to be made early in the new year.

This Budget talks about Committees taking responsibility and managing their expenditure. Our request for additional funding is as a result of essential need in some areas often delivering on outstanding Resolutions, such as the Disability Strategy. Decisions made by this Assembly, not a list of vanity projects.

1570 Our ability to reallocate existing resources within our budget, when our budget is predominantly formula-led, or funded by the contribution systems, makes it much more difficult for us to reduce, prioritise or cease services. However, in the spirit of looking for savings, we are not proposing to increase Family Allowance in 2020, saving at least £160,000 General Revenue. Once again we have foregone the General Revenue grant to the Health Fund for another year.
1575 This will be the fourth year with funds foregone and totalling over £20 million for that period.

I must also remind Members that, under the new Income Support system, rental income to the States has increased from £9 million in 2017 to an estimated £19 million in 2019. Sir, we are doing our bit, we are team players.

1580 Changing topic, whilst it is true there has been significantly more co-operation and liaison between Committees and P&R this year, in preparing the Budget, it is still disappointing that some of what ESS Committee and other Committees regarded as essential funding did not fall within the cut-off point of the prioritise approach and methodology.

1585 From an ESS perspective, what is disappointing is that I know our benefit limitation scored a high mark for the sixth criteria, depth of impact, but scored low in the other categories. We know we scored low on category five, breadth of impact; customer impact criteria on how many of the population will benefit from the investment.

1590 It is because our request affected only 130 families and approximately 480 children, it did not get the required points. I am told by a member of P&R staff that the process also had some human intervention, which makes the fact that it did not get a higher ranking even more difficult to accept. It may only affect 130 families, it may only be 480 children, but they are the poorest and most vulnerable families in Guernsey.

1595 The funds released through Proposition 23 would provide the funds that would enable us to increase the benefit limitation and that is the cap of a household's income comprising of earnings and benefits, from £750 to £850 per week, at a cost of £275,000. We can provide further support for our anti-discrimination work and provide a small increase in the sums that those in our care homes on Income Support are allowed to retain.

As I have said, the facts are these families and children affected by the benefit limitation are working families and, as I said in response to Deputy Paint yesterday, some of those families are working for the States of Guernsey and require a small top-up.

1600 I was disappointed that Deputy Paint said that people in the community do not understand what the benefit limitation was. We held two sessions last week to help Deputies understand and we only had a handful of Deputies come along to that presentation. It is important that Deputies do understand this benefit limitation and put out into the public that it is not just giving away £850 to a family. There is far more behind that. When we come to our Uprating Report, I am sure myself and other members of the Committee will go through the benefit limitation.
1605

Sir, as I have already said, another reason why we ask you to support Proposition 23 in full is to support the need for additional funding for us to continue to support the Disability and Inclusion Strategy and we asked for £75,000 in this Budget and it was declined. Of the original £250,000 the

1610 Disability and Inclusion Strategy budget allocated, only £15,000 remains unspent or uncommitted.
We have eked out the funding since it came across to the Committee, with the changes to
mandate in 2016.

1615 The original policy documents approved in 2013 and 2015 were very clear that additional
funding would be required and that is why we are very disappointed that P&R did not approve
this request. I must make it very clear that, without this sum, the aspects of the Disability and
Inclusion Strategy cannot continue.

1620 The 2000 report recommended that at least £20,000 *per annum* would be required to advise
easy access, online information, outreach disabled Islanders and carers through the media;
information and training relating to the new disability legislation and a service to provide and
convert resources into accessible formats.

1625 It is actually a requirement of Economic Development that those organisations that provide
hospitality services have to undergo an accessibility audit and actually the funding provides the
assistance for that accessibility audit.

1630 Sir, without the funding, Islanders will go back to the pillar to post situation they previously
experienced. In the 2015 update, Policy Council reported that it was inevitable that a further
approach for funding would be necessary once the £250,000 was spent. It sums up in that report:

The Policy Council wishes to give notice that a further request for funding is inevitable, once the balance of the original
£250,000 has been allocated.

That is simply not possible to deliver the broad range of work required on the implementation
of the Disability and Inclusion Strategy, whilst relying solely on the one-off funding agreed in
2013. I will give way.

1630 **Deputy Dudley-Owen:** Thank you very much to Deputy Le Clerc for giving way. I wonder
whether Deputy Le Clerc might be able to answer, during her speech, how much resources have
been put specifically to the research and development of the broader equalities legislation and
how much of that, if it had not been done, would have been left over for the Disability Strategy
that had originally been agreed by a previous Assembly?

1635 Thank you.

1640 **Deputy Le Clerc:** Sir I have not got the figures with me at the present time but it has not been
helped by the fact that we have not had the resources to get on with the work and it is only really
in the last 18 months that we have had the resources from Policy & Resources, and that is the
human resources. So part of the problem is the length of time that it has taken since 2013 to
implement the strategy.

1645 So, yes, we have £15,000 remaining, so we have not run out of funds completely, but that will
not see us through the resources that we need for 2020. We are grateful to P&R, however, for the
request for another tenancy manager officer, as this will enable us with our debt control, and a
policy officer for the ongoing anti-discrimination work, so that is more about writing the policy
and implementation of when the policy is agreed, but not actually for the disability access and the
training aspects of that work.

1650 We are disappointed that we have not yet been able to bring proposals for the ERO, but they
will be before you in the New Year. As you are aware we have spent the summer consulting on
our anti-discrimination policy work. Sir, this is a very important announcement that I have to make
now. Our consultation received a massive, but mostly polarised response. Some people and
organisations strongly support the Committee's proposals, while others strongly oppose.

1655 The Committee is of the view that the proposals in their current form would be highly unlikely
to obtain the majority support of the States, due to concerns – primarily coming from the
business community – that the proposals are not proportionate for Guernsey and will place the
Island at a competitive disadvantage. The Committee cannot countenance wholesale rejection of
its proposals and disappoint the community, who have waited in some circumstances, years, for

the legislation. The Committee, therefore, will use the very short time left in this political term to refocus its efforts on a more limited scope of the grounds of protection.

1660 It is important to understand that much of the most challenging and critical feedback related to disability discrimination. Addressing this alone will require a substantial commitment of time and resources. However, we promised that we would introduce protection on the grounds of disability, including for carers of disabled people this term, as our core priority.

1665 The Committee will press ahead with discrimination legislation proposals, on the grounds of disability, although we will definitely revisit our definition of disability in the light of the feedback. We will also seek to protect carers of people with disabilities but will pull back from the wider definition of carers in general, which included parents of young children.

1670 We intend also to press ahead with the protection on the grounds of race, religious belief and sexual orientation, as the consultation has indicated that this can be done with only minor modifications to our proposed approach in these areas. However this will be contingent on making sufficient progress in respect of disability and carer status.

1675 We will, for the time being suspend work on the other grounds on which we consulted, namely age, carer status in relation to parents, marital status, pregnancy or maternity status, sex and trans status. However, our intention is to include in our policy letter an indicative timeline for when these grounds should be addressed and included in the legislation.

1680 I know that this will be disappointing news to some of our stakeholders but please rest assured the Committee remains committed to this work. We will refocus on the delivery of a set of proposals, which are more likely to find the majority support of the States and which will create a strong foundation for future expansion on the successes of the current Assembly. That is why we need the additional £75,000 because we will have ongoing work during 2020.

1685 Sir, I am drawing to a close, but would like to urge Members to support the Proposition 23 in its entirety. We withdrew our Amendment 10, as we believe we have been team players in not reducing the amount being transferred to Capital Reserve. We will give our support to Proposition 23, as it does provide a funding mechanism for some of the additional spending requests I have outlined and I would urge all Members to vote for that Proposition.

Thank you, sir.

The Bailiff: Deputy Brehaut.

1690 **Deputy Brehaut:** Thank you very much, sir. Is my microphone on? Yes, it is on. Good.

Sir, despite the background noise, despite the constant assertions usually in some printed media and generally on social media, that E&I are wasting taxpayers' money, constantly overspending and embarking on grandiose projects, the reality is, in fact, very different.

1695 It is true to say that we have presented joint policy letters to this Assembly with our colleagues at STSB, for example, that are large. They are large projects, they are expensive, they are multi-million pound projects, but they are really once in a lifetime events. They do not come round every four years, this investment, over a lifetime for this community.

1700 I might observe, incidentally, that requêtes placed to seek more information or that are placed as a challenge to policy letters come at a cost too. The last requête came with a price tag of £800,000. Attempting to save money can be expensive and delays can just add inflationary costs that really cannot be predicted.

1705 The reality is E&I underspends have been delivered for a number of years. Though it has to be said, more recently there is less wriggle room than we have had in the past, but we work within extremely tight parameters. Even with working within those tight parameters, we can still lead on projects such as the Asian Hornet Strategy, which is a well-regarded piece of work that other communities wish to learn from.

We are also committed to delivering on more biodiversity based projects. P&R have that door open, ajar, but we are still on the other side of it. Be assured, we will be pushing on it in 2020. By the way, I make no apologies for working with colleagues at P&R to attempt to work within our

1710 budget. After all, it is not my money, is it? We work with the DPA to deliver the IDP, we work with STSB to deliver the Inert Waste Strategy, to deliver the Domestic Waste Strategy. Why should I not work with P&R to deliver our Budget for this community?

In his speech, Deputy St Pier referred to first registration duty. In fact, I think he may have said the IDP but I think that is what he may have meant. That income stream is one that is open to E&I. 1715 It is the bit of the Transport Strategy that enables E&I to progress work streams and public realm improvements that eases the burden on General Revenue. That element is frequently overlooked.

The most recent project at Le Vale de Terre is funded from first registration duty. Salerion Corner was funded from first registration duty. The toucan crossing was funded with first registration duty. Pedestrianisation throughout St Peter Port is funded by first registration duty. 1720 That is, I have just said, frequently overlooked. It is often said that we take taxpayers' money. For example we get freedom of information requests on what we have actually spent on projects such as that, when general road resurfacing, which costs a great deal more, sometimes £0.5 million or £600,000, there is not a great deal of focus on.

I suppose with first registration duty, most people paying that first registration duty are making a conscious choice. They are buying vehicles of a given type and are fully aware that in doing so there will be a levy on that vehicle, a duty on that vehicle, so they are opting in when they have an opportunity actually to opt out. 1725

It is also important to note, perhaps, for the listener, E&I do not receive anything from fuel duty, It is a common misunderstanding that road maintenance is funded from that source. The roads are maintained through the provision of minor capital expenditure. In fact, E&I led the way in multi-year approaches to minor capital in the past. 1730

The Committee did have, historically, a small budget provision of about £2 million, or just under, to spend on the roads. More recently, we have spent £3.4 million and that is done through the minor capital expenditure process, before there was a budget uplift or an allowance for roads. 1735 Now we are adequately maintaining and repairing roads. That figure now sits at about £3.4 million.

Before the last review of the machinery of Government, no committee had the word 'infrastructure' in its mandate. The emergence of the word so explicitly has left E&I with a burden of responsibility for a great deal of infrastructure, some of which has been neglected for many years. We have responsibility today and we are looking for those funds tomorrow to help protect our infrastructure. 1740

I am sorry, sir, there is just a bit of chatter as I am speaking, which is distracting.

The Bailiff: I apologise.

1745

Deputy Brehaut: Get to your room! (*Laughter*) So we have responsibility for –

The Bailiff: I would quite like to be able to get to my room! (*Laughter*)

1750 **Deputy Brehaut:** Respectfully, sir, please take me with you!

We have responsibility today for repairs that will emerge tomorrow. I do have to say the minor capital expenditure process is extremely long-winded. At times we would like to be a little bit more proactive in that process. It is quite common for people to approach me and say when is that slipway going to be repaired, when is that harbour, whether it is at Saint's or wherever, going to be repaired, when are those coastal works going to be completed? That is the process itself. It is the call on the demand on small capital expenditure and those competing demands that mean that we have to prioritise. 1755

Just a note on capital expenditure and sea defences. We do not spend enough now. We will need to spend a huge amount in the future and it is not about the nice-to-do, to keep the economy ticking over, this is about protecting the natural environment that underpins all we have, including the economy. 1760

1765 In the future and next year we will present a climate change action plan that will, no doubt, have some ideas on incentives and disincentives. In her speech the day before yesterday, Deputy Hansmann Rouxel remarked that green finance was making money and doing some good at the same time. Actually, some green taxes, fees and levies, call them what you will, have potential to also do some good at the same time.

1770 By the way, remodelling taxation such as motor tax will make it less of a burden. You can also insulate a home to help those who are asset rich and cash poor. A fuel fund is great but actually not burning fuel in the first place is even better. Those were my own notes, by the way, that was not run past the Committee. That is my view as present.

1775 I just wanted to pick up on some things, very briefly, that have cropped up. Deputy Lester Queripel has said that he is ashamed to be a Member of this Assembly at times. He has said that more than once. I have to say I am ashamed to hear some of the comments regarding Aurigny, our airline, at times.

1780 For those people who manage Aurigny on a daily basis, I think some things said within this Chamber really are beyond the pale and it is disappointing that there are so many references to Aurigny. Can we just try to get the context here? We pay £4 million for a bus service. In fact, it is more than that. The income is increasing year on year but that subsidy, on a bus service, bear in mind, is about £4 million.

1785 We are talking of the potential loss of an airline which is a social and economic enabler, maybe £7 million or more. That is the context with regard to Aurigny. The challenges for them are great. My toes curl at times when I hear some things. To me it sounds like a custody battle between two parents when actually neither of them want ownership, sorry custody.

I will give way to Deputy Tindall.

1785 **Deputy Tindall:** Thank you, Deputy Brehaut.

1790 It is something I was intending to ask Deputy Trott to let me give way on: it is the transparency that is the concern, with Aurigny. The amounts, I do not think, to a certain extent, considering it is an airline, are really that amazing.

Deputy Brehaut: Respectfully to Deputy Tindall, that is just the sort of exchange that I will not enter into for the reasons ... I would rather call it a day at that.

1795 I think there are some significant themes, for those of you who wish to return to the Assembly for another four-year political term, I think there are real pressures coming your way and the expectations on pay, I think, the expectations out there in the community, are great. The nurses clearly feel that the planets may align for them, if I can put it that way. That kind of understanding that they have, from however they have come to that understanding, their expectations will be mirrored, I am sure, by teachers and everyone else.

1800 So I think the demands on the Budget are going to be extremely considerable with regard to pay. The other thing I wanted to touch on briefly is growth. We will have a climate change action plan yet, within this Assembly – Deputy Roffey may have referred to the increased population – we seem to be saying, go for growth. What do we mean by going for growth, exactly, and where are the points of tension with going for growth and meeting our aspirations with regard to the climate change action plan?

1805 We have agreed a subsidy to put another airline in direct competition, running two aircraft that fly within 30 minutes of each other and all the rest of it. So if we are serious about climate change – and I am not ... that sounds so horribly self-righteous – but if we are serious about these things then some of the decisions are going to be quite difficult.

1810 E&I are relative minnows with regard to spend but I just wanted to give that assurance to the community that we have an acute awareness and an acute focus on our budget, sir.

Thank you.

**Procedural –
Decision made to sit longer to complete business**

1815 **The Bailiff:** Before I call the next speaker, I just want to apologise to Deputy Brehaut for distracting him when he was speaking, but what I was being asked was questions about how we are going to manage our time for the remainder of this debate and also for the Uprating Report, which as Deputy Le Clerc has said, is important that that is debated, but it is up to Members whether they do that.

1820 Could I just have an indication of how many people who have not spoken in general debate who are intending to do so? I see 12, so about 12 of you to speak. With that in mind, I am going to put three options to you. First of all that we continue to sit to 1 p.m.; also that we come back at 2 p.m.; and that we continue to sit this evening as long as we need to so those who need to make arrangements for childcare and whatever this evening know. So I am going to put those three options. You may vote for them all or you may vote for some but not others.

I will put to you first the proposition that we continue to sit until 1 p.m. Those in favour; those against?

Members voted Pour.

1825 **The Bailiff:** I think that is carried, so we will sit to 1 p.m.
I will also then put to you that we resume at 2 p.m. Those in favour; those against?

Members voted Pour.

The Bailiff: I believe that is carried as well.

I will then put to you that we sit this evening, if we need to, until we finish debate. Those in favour; those against?

Members voted Pour.

1830 **The Bailiff:** Fine. I think that is –

1835 **Deputy McSwiggan:** On a point of order, sir, you mentioned your conversations. It was not just your conversation that was interfering with Deputy ... The level of background noise has crept up enough and I think it would just be helpful if ...

The Bailiff: Perhaps all Members can bear that in mind.

1840 **Deputy Brehaut:** May I say, I meant no discourtesy. I was just aware of general chatter, sir, and to my horror it was you. I do apologise! (*Laughter*)

The Bailiff: I know you meant no discourtesy and I took no offence. Deputy Merrett has stood quite a number of times and then ...

1845 **Deputy Merrett:** Thank you, sir.

The Bailiff: Sorry, Deputy Dorey?

1850 **Deputy Dorey:** I was just seeking clarification about this evening. Is that just to finish the Uprating Report and not the next Billet?

1855 **The Bailiff:** Well, we will see where we get to. I have asked a question as to whether there is any urgent legislation in the next Billet that needs to be approved and I still have not had an answer on that, which I think perhaps means that there is no urgent legislation on the next Billet. But if there any urgent policy letters in that Billet, we will have to look at those. We will certainly have to debate the Schedule for Business, or else we will not know where we are going for the next Meeting. But I was not at this stage expecting that we would get around to the 6th November Billet, unless there is anything that is desperately urgent that needs to be done.

1860 **Deputy Oliver:** Does that mean we might be coming back on Saturday, or will it be left to the next Meeting?

A Member: Up to us.

1865 **The Bailiff:** We have had three-and-a-half days' debate on the Budget. I would hope that we are going to finish the Budget this week. Deputy Le Clerc has said it is important that we deal with the ESS Uprating Report. (**A Member:** It is vital.) I do not know where we will get to by, say, 6 p.m., 7 p.m. this evening. It will then be in the hands of Members. If we have not finished the Budget and the ESS Uprating Report by, say, 7 p.m., this evening, you will have to take a decision as to whether we continue to sit even later or we come back tomorrow. That will be in the hands of
1870 Members of the States and largely determined by the lengths of speeches that we have for the remainder of this debate.

1875 **Deputy Fallaize:** On a point of order, you made the point about Members having to make arrangements. Can I just request that you put it to the States that, in the event that the States will not sit tomorrow, so in the event that there needs to be an almost immediate continuation of business, it might be next week? I think it would be helpful for Members if we could establish now whether or not the States will potentially meet tomorrow and I would wish to propose that we would convene next week, rather than tomorrow.

1880 **Deputy Merrett:** Shall I sit down for a minute?

Deputy Meerveld: Sir, I would like to propose that we sit as long as necessary to finish the business tonight, to remove the necessity of sitting tomorrow.

1885 **The Bailiff:** I will put to you then the proposition that we sit as late as we need to tonight and do not sit tomorrow. Those in favour; those against?

Members voted Pour.

The Bailiff: We will not be sitting tomorrow so those who need to make arrangements do not need to.

The States of Guernsey Annual Budget for 2020 – Debate continued

1890 **The Bailiff:** Deputy Merrett.

Deputy Merrett: Than you, sir, because Members will know that patience is not a virtue that I actually possess.

1895 What I would like to say on the first thing is that, actually – and I appreciate you call Presidents forward first – some of the Presidents do be appearing to be give us update statements, rather than talking to the Budget. I just want to mention that because I was finding that a little bit frustrating.

1900 So I am going to back the Budget, because that is what we are here for. I have read the proposed Budget and I read it with a simple principle and a very simple mantra, really, being that, as a Government, we should try to seek the greatest contribution from those most able to pay. Those are the broadest shoulders. I have not determined with any clarity what ‘those able to pay’ actually means. Is it the asset rich but the cash poor, or those that may be cash rich but asset poor? That I do not think I have ever really determined or I certainly have not determined with clarity in my own mind.

1905 So then I considered what revenue we needed to raise and why. What have we asked our community to do? What revenue was raised and what, as a Government, we have done to control expenditure and transform services. So those are the three of your questions I asked myself. Then I also contemplated what services do our community expect and what are the essentials compared to the nice-to-haves.

1910 I am not convinced that all these questions have been asked. I think we have asked ourselves at Committee level and P&R have tried to put a balanced Budget together, but we have not really asked our community regarding the actual services. I accept, sir, that we represent our community, we are elected by our community and we elect Members onto Principal Committees; I accept all that. But I really do not believe that we have always been open, honest and as transparent with our community as we could be.

1915 I really feel quite strongly that our presumption of disclosure still is not bedded into our Government. In my opinion, our Committee has done what we asked for them, but we advised our community if we would achieve savings and we have not, or at least not at the rate or pace we said we would. Like others, I am not convinced that the goals were realistic. I believed in good faith that they were and I believe the forecasts have integrity.

1920 Our Committee has risen to the challenge and the revenue-raising has been achieved. I really do feel that our Committee has done what we were asked; but I really feel as strongly that we have not. The projected savings that have not been achieved and now the only option that we have left for funding some of the essential services, as explained by Deputy Roffey, is arguably a regressive measure that we know will affect old age pensioners. I am sorry, sir, I cannot remember the politically correct term that we decided to call old age pensioners, so I am going to call them OAPs, because I cannot remember the politically correct term. *(Interjections)*

1925 That leads me onto the increase on TRP. Also I am concerned about the increase on TRP to families and I will explain why. Families usually have more than one dependant. They may be a minor. They might be an elderly relative or there may be a family dependant who may be dependent through disability, be that physical or mental disability.

1930 That leaves me uncomfortable with the increase on TRP but rather than just vote it out, I decided to try to offer options and these have been rejected so I have been left with a binary choice, which was what I was trying, through hard work, sweat and tears, to avoid. I have been left just one option. I am prepared to make difficult decisions that may be unpopular with some sectors of our community but I cannot agree something that I consider will be regressive to vulnerable members of our community, be that OAPs or families that may require a home, a house.

1935 Members have left me, quite simply, nowhere to go in this regard. Can we raise additional revenues by other means, ones that are more equitable than a heightened TRP? Actually, sir I believe we can. After all shelter, our homes, be that rented or owned, are a pretty basic requirement for humans and for families.

1940 If we agree, this will not just be home-owners but property owners, which will affect rental prices if they pass, because presumably they will, pass that rise into their rent. So what might help me, sir, is if Deputy St Pier can advise us of the size of property with a TRP of 400, which will see

1945 the largest financial increase from £668, by £300 to over £1,000. I kind of ask how many bedrooms, sort of thing, even though I am not sure that will really help me, sir, because we know from the Budget whom it might affect the worst. It is the income of those home-owners or renters, which will really fulfil my mantra of being able to be assured that actually it will be those most able to actually pay.

1950 Last year Deputy St Pier, in my response to a very similar question, gave us fine examples of the size of property which would be affected by uplift last year; and being, if memory serves me correctly, TRP over 600. So I am going to ask for a separate recorded vote on Propositions 23A and B. Further I will not be supporting Proposition 24, for the same reasons Deputy Roffey gave yesterday, I would also like a recorded vote on that Proposition. I believe if we support the
1955 Proposition now, knowing we are having a big political policy debate in January is presuming before we even actually know. I am not going to agree to this escalator of constant increases in TRP until we have had that wider conversation.

Another question for P&R. I have every intention of supporting ESS' policy paper in its entirety. But if I do not agree to a TRP hike, what will happen, because how will it be funded? There I am,
1960 sir, between this rock and a hard place. Further, sir, what I wish to highlight to Members is that whereas any two States' Members, and of course that includes the Alderney Reps, they can submit an amendment to the Budget, as evidenced in this debate by ESS, E&I and Home Affairs. But, sir, Law Officers cannot, can they? So basically Committees have brought amendments defending their own submissions, but our Law Officers cannot. They are appointed by the Crown but are
1965 expected to draft our legislation, interpret and implement our Laws, but without the resource they just cannot do this.

But of course we debate this type of resource that they are to be given. If we continue to strangle the resource and we simply become a talking shop, we direct the drafting or we do not give them resource to actually do it, our community actually believe, sir, that we have made a
1970 decision that will be enacted. But of course they cannot, can they?

This has concerned and perplexed me for years. We spend money and time on bringing something to this Chamber, we deliberate and determine direction and then we do not actually fund the drafting and this particular draft for legislation. So, 10 years on, and still no vetting and
barring scheme for people working with children and vulnerable adults.

1975 If Deputies wish to know what else in drafting and legislative prioritisation, all they have to do is ask HMP or, through sheer determination, perseverance and, to be honest, persistence, although I did actually almost lose my patience, they will get a copy of the list from P&R. So I will tell you what is on it.

Some of it, I will not tell you all that is on it because we are short on time, but the oldest from
1980 2000 – it is not funny, I do not know why I am laughing – that is almost 20 years ago, and it is in regard to the consumer protection. From 2003, animal welfare legislation. We have third sector charities, like the GSBT, to name but one, trying to stop animal cruelty, with no laws to support them.

Oddly, because Amendment 30 has been amended, I can now support it, in theory, as in theory
1985 Law Officers could now get the resources they need to progress any cases that may arise from any single workload, the results from Home Affairs, the £1 million service development fund for counter-economic crime. Odd, because I voted against the amendment and as such may not have supported Proposition 30 unamended.

But if the Law Officers had not been given the funding, this is why I would not have supported
1990 it, that would not have allowed them to be able to deal with the increase of work in this area. It really is not joined-up Government.

At least Proposition 2 gives me some assurance that P&R will submit revised fiscal policy framework by January 2020, by doing some maths that must be almost ready to submit, but it is
1995 so late in the political term and it will be too late to fund the ESS Propositions. Or will it? Considering that the fiscal rules are being billed as the biggest and most important debate that we, in the Assembly, will have, it is a real shame that it has been left so late.

2000 Surely, Members can agree that we would need to do this, at least up to and including Proposition 2(i), but it is Proposition 2(ii), which is the one that is interesting, the options to raise further revenue. We have been asked should we be doing this if we cannot even get our own house in order and what is in scope and just how much is needed to be sufficient revenues and sufficient for what? I assume sufficient to provide central services, but the Principal Committees and P&R do not appear to even be able to agree about what might be deemed as essential.

2005 I am not convinced that the Assembly, especially so near to the election next year, will wish to discuss and give direction for terms of reference that would examine options to raise further revenues for the introduction of new taxes and I am just not convinced. These are hard decisions. Consumption tax. Really? A tax on everything we consume. I just cannot see the Assembly agreeing to that.

2010 We saw an unprecedented berating of the Budget, quite frankly sir, by Home Affairs yesterday. Home Affairs deemed it essential to have the additional funding; P&R did not and neither did a considerable number of Deputies, but not a majority. In a democracy, that is literally the numbers that count.

2015 Equity release, sir, Proposition 28, directs legislation, good luck to the Law Officers, to prepare to enable equity release mortgages. But there is no date or timeline and my preference for this is only when matters ancillary to lending are subject to licensing by the GFSC, as discussed on page 58, 6.92. P&R and EcDev are intending to submit a policy letter to licensing this year but I do not want one without the other, and legislation must come before us. If – it is a massive if – but if it legislation does come before us first, which as I say is highly unlikely, but if it does I will do everything in my power to ensure it is sursised.

2020 Now the ODP, until the GFSC has the regulation in place, I draw Members' attention to the ODP on page 64 of the Budget. We are basically advised that the funding mechanism is being designed to ensure that, from 2020 onwards, that sufficient income is raised to cover the cost of operation.

2025 I considered with other Members, sir, if I could do an amendment that would somehow actually force the Committee *for* Home Affairs to ensure that ODP is self-funding by next year's Budget. (**A Member:** Hear, hear.) But we were told it was imminent. Home Affairs withdrew their amendment before I was given an opportunity to speak on this but Deputy Trott managed to get his speech in first and, actually, I agree with everything Deputy Trott said in that regard – which is quite unusual (**Deputy Trott:** It is.) but there we are. It is an unusual world we live in. (**Deputy Trott:** And worrying!) (*Laughter*)

2030 So what concerns me is that what we seem to have agreed is that the funding mechanism in the future will recuperate the cost from past users but some of the past users will not be users of the future. So, actually, what we are saying is you have used it now but you are not paying for it. Some of you may use it in the future, you will pay a bit more, and some of you have used it and will not pay anything and that, to me, is not the user pays model. I do not think that is fair or reasonable.

2040 I am also going to touch on 1948 Agreement. It is in the Budget, page 72, at 8.10, 8.12. It says that P&R and the States of Alderney are exploring the 1948 Agreement on the – and I cannot even say the word, sir, I do not even know what it means and I would like an explanation of this word from P&R. I can just look it up in a dictionary, I do not know what it means in this context. On a 'thematic' basis. I am not really sure what that means, other than the dictionary interpretation.

2045 And that they are a joint group of representatives of the States of Alderney and the States of Guernsey, which is P&R, and that they are making some recommendations. But I do not know who is on the joint group and I do not when we can expect the recommendations. In fact, I do not even know if P&R have an understanding of what the will of the States is on these negotiations. Even so, if P&R could give me some assurances or respond, I would appreciate it.

Now I was not able to ask the question in debate on Amendment 18, so I will ask it now. I have not pinged over to HMC, sir, because I asked the question earlier, although I cannot recall,

2050 because it has been days, who was in the seat at the time. It might have actually been HMP. It is
now Proposition 7A(i) that if we do not pass that today, there is nothing – in my opinion, and I
would like HMC's if possible – that would preclude Guernsey Finance from making a business case
and submitting it to Guernsey Economic Development, to have that funding. They just have to
play by the same rules as everybody else. They just have to go and put a business case, send it to
EcDev. The only difference I can really sir, is whether or not the States endorse it in their entirety. I
2055 do not know if HMC can respond to that but I will crack on. If he is able to, I would appreciate it.

I am going to quickly go STSB, which is on page 17, because again the mantra I use here is
without placing a disproportionate burden on customers. As we know many of them are left on
low incomes. Page 5.51 talks about the surpluses and reinvesting them in the business or for
return to the customer after the distribution of reserves and special dividends and repayment and
2060 spread of assets previously funded from Capital Reserves.

I am talking unincorporated trading assets. It says that STSB intends putting in place a
mechanism. I thank STSB officers for their engagement and punctual ... I mean their responses
were informative, they prompt and I thank them for that, there was no chasing of that, I just got
the information I asked for so I would like to place on public record my appreciation of that – and
2065 I would also like to say that I have been advised by the political Members of STSB, who met with
me, that they do intend to bring a policy letter to establish if it is the will of the States to support
their belief that surpluses from unincorporated entities should be reinvested in business or
returned to customers. They intend to do that, sir, before the end of this political term. So I look
forward to deliberating and determining that policy paper in due course.

2070 I think I have said everything I want to say. I think everything else has been said so far in
debate, so Members get ready to step to your feet. I am going to sit down.

The Bailiff: Before you sit down, Deputy Le Pelley.

2075 **Deputy Le Pelley:** It is just a minor one, sir, but I am looking at HM Procureur to make sure I
am right –

The Bailiff: Promoted him as well. I do not know whether it is a promotion, it may be a
demotion, but changed his job title!

2080 **Deputy Le Pelley:** Sorry, HM Comptroller, I beg your pardon. I think for the record we need to
know that, under certain circumstances, the Law Officers of the Crown can lay and have indeed, in
this term, have laid amendments.

2085 **Deputy Merrett:** Fine.

The Bailiff: Deputy Dorey.

2090 **Deputy Dorey:** Thank you, Mr Bailiff.

I will try to be as short as I can to make the points I wish to make. The theme of this Budget
and a lot of the speeches has been struggling to finance existing initiatives and future initiatives. I
have a lot of sympathy with the point that Deputy Parkinson made about territorial taxes is a
long-term solution. I realise that is not overnight and I realise we have to work with the other
Crown Dependencies, at least, before we make a move to that.

2095 But Deputy Fallaize referred to, on page 18, paragraph 3.27, it tells us that company profits are
37%-44% of GDP but only 17% of tax revenue. And it tells us that 1,800 companies are subject to
tax at 10% or 20%, primarily in the finance sector. Over the last few years, continuing in these
proposals, we have extended the 10% area and the 20% area, we have got the cannabis growing
in the 20% area.

2100 I just ask, as we struggle to finance, and the company profits as they are, can the 10% rate be
changed? I know Zero-10 is a lovely soundbite, but what is wrong with Zero-11 or Zero-12? We
have got some companies at 10%, we have got some at 20%. Why cannot we change, actually try
and take our community with us and see that the corporate sector is contributing a little bit more?
I accept we cannot make a dramatic move but at least we can make a small move, perhaps up to
2105 11 or 12.

Deputy Parkinson said small but meaningful investments have a positive effect. Deputy Lester
Queripel also said no-one is accountable for the Aurigny losses. But if we look at the travel survey
and look at the outcome of the subsidised Heathrow route – I am not going to repeat stuff I said
in my amendment – and the open skies policy and look at the figures for the first nine months of
2110 this year, departing visitors by air, you would think, would have grown, but in fact it is down 3%,
nearly 4,800 less visitors have departed by air. But where the big growth has been in departing
Guernsey residents by air. That is up 16%, 22,700 more locals have been travelling by air.

As you would expect, particularly with the growth in Southampton, there has been a reduction
in the number by sea using the UK ports, of local residents, and that is down 4,189. I emphasise
2115 these are all departing passengers. Sometimes we talk about movements, which is obviously
arrivals and departures. If you are thinking about movements you need to double those numbers.

Deputy Parkinson challenged me on Southampton. Southampton is really interesting. If you
actually look there has been a sizeable growth but almost all that growth has been Guernsey
residents flying to Southampton, which is what you would expect because people travelling by sea
2120 has gone down and obviously because of the cheaper travel by the competition on that route. But
it has not resulted in visitors, it is on the local side.

So going back to Deputy Lester Queripel's question, no one is accountable for Aurigny's losses.
Actually I would say that the Assembly has made some really bad decisions. (**A Member:** Hear,
hear.) It has made bad decisions on open skies and subsidising Heathrow and ... and that is partly
2125 what has resulted in, and Aurigny has told us, that has resulted in £3.7 million of their losses. That
is what they have said.

One positive thing this Assembly has done is that they supported myself and Deputy Laurie
Queripel's amendment about the borrowing costs of Aurigny, which tried to reduce some of their
costs and reduce some of their losses. That was when they purchased the new ATRs.

2130 Part of the use of the Future Guernsey Economic Fund is that it has got to have economic and
fiscal benefits, which are measurable. I challenge P&R, when they next come to look at the
subsidisation of Heathrow, where are those measurable economic and fiscal benefits? I do not
think they are there.

It is interesting if we look at the context, in relation to this Budget, of that £3.7 million that we
2135 are now going to have to cover in our finances for the Aurigny losses. If we look at the sum of the
increased money we are going to get from alcohol, tobacco, fuel, commercial TRP, general office
TRP and domestic TRP, it comes out at £3.8 million extra. You can say to people almost all the
extra money that we are raising, without going to Proposition 23, is paying for the Aurigny losses
2140 which they have said are directly resultant of the subsidisation of Heathrow and the open skies
policy. The people who have benefited from that policy are locals going on holiday. So we are
using taxes to subsidise people's holidays. That is where the logic leads us.

Deputy Kuttelwascher: Point of correction there.

2145 How can Deputy Dorey presume why people are travelling? He seems to think they only go on
holidays. That is not true, is it?

Deputy Dorey: I give way.

2150 **Deputy Oliver:** It is a follow-on that a lot of people do go to hospital, not only to
Southampton, to London and now, also, I believe Winchester, I want to say as well.

Deputy Dorey: I totally agree that a lot of people that do that but there has not been a step change in the number of people. I am making comparison from last year to this year and the step change has been the number of locals travelling.

2155

Deputy Le Clerc: Sir, I would just like to clarify that for the medical trips to Southampton, we have actually got a contract with Blue Islands at the moment, so our first choice would be with Blue Islands.

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Deputy Dorey: I am talking about the overall cost and the number of extra people. The cost, which Aurigny has said, was resultant of our open skies and Heathrow policy, relating to the amount of money we are raising and the effect it has had. We are effectively, as I have said in the past, subsidising local people's holidays. I will leave it there.

2165

One thing in the Budget is the taxation of fuel for boats. As you know, we do not tax diesel but we tax petrol. Environmentally that sends out the complete wrong message. We know that diesel is not in our community because they are out at sea, in terms of the land community, but it is doing damage to our environment.

2170

We encourage people to use diesel by not taxing it but we tax people that use petrol. Again it is not ideal using petrol but at least it is a cleaner fuel than the diesel. I know there is a history on that. I know we have looked at it. But I do not believe that we can continue with it. If we really cannot remove the tax on diesel I think we have to remove the tax on petrol. We cannot continue doing something, which I think is fundamentally and environmentally wrong.

2175

I echo the comments of Deputy Fallaize on the Budget-setting and engaging. I really congratulate P&R. We have had a step change and I think it is for the better and I wish you to continue with that. I am not a President, but as a Committee Member it is such a difference and it is for the better and it is for the better for Guernsey as Government, so thank you.

2180

I also agree with Deputy Roffey on the demographics of this Island. We cannot fight it, we just have to accept it. We are not going to just pull people to try and get over it. That is not the solution. We have to just make the adjustments and accept that our population is becoming older. What is interesting is the number of people employed has continued to grow and the figures at 30th June say another 0.3% have entered the workforce. The workforce has increased and has been increasing all the time since 2015. So it is very positive that actually more of our population are working than they have been in the past.

2185

Some comments were made about Economic Development are the only Committee that grow our economy. That really grates with me because all the Government works towards ensuring that we have a good economy. We will not have the economy without our education and educating our workforce and continuing to do lifelong learning. We will not have the economy unless we have our quality of law and order, which is delivered by Home Affairs and our emergency services. We will not have, unless we have our health service and ensure that our population is fit and well to work.

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I was just reminded, perhaps we take for granted what we have, somebody who visited England recently and they had quite a fall and quite a serious fracture and they phoned up for an ambulance and they were told they had a two-hour wait for an ambulance. This was a serious fracture. The person managed to transport that person to hospital. They were then told they would then have a seven-hour wait before that person was seen. We forget what good quality services we have in this Island.

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Deputy Merrett, on paragraph 5.51 about not for dividend and the trading entities: I agree. But I also do not want 20% tax. I prefer we charge less with such basic services and keep the prices down for our population. I have never been in favour of dividends or taxes, or whatever else. I know water is not incorporated but water, electricity, and the basic services, we should be providing them at as cheap a price as we can. In a small community they are going to be more expensive than in a lot of other communities and we should not try and profit on them.

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2205 I, like others, declare an interest on Proposition 25. I have a barn, which is not attached. Because we have got a deep freeze, logs and bikes in there, we will then have to pay the increased rate. I do not like it but I do not like the fact that there is a different rate, if it is attached or not attached. It is not ideal. It would be great if we could find something better but unless there is something better I will support the way going forwards. At least I think it is fair, because it relates to the use of the outbuildings and not whether it is attached or detached from your residence.

2210 I urge Members to support 23A, B and C. I think the initiatives which are on page 130, with the asterisk, I am not going to make, other people have made the case for them. I started off by saying we have the pressures on financing our initiatives. I think we need to finance some more of our initiatives than we are. I accept the ones that have been identified with the asterisk and we should go forward with them. Yes, it is going to affect our community, but I would rather have those funded than have a lower TRP.

2215 Finally I just congratulate P&R on the States' capital investment portfolio. They have not met the increased budget in established staff for that. But one of the biggest problems of why we have been failed in our capital investments is the lack of staff and I am encouraged that they have put an increased budget for established staff. We are not going to be successful with our capital projects unless we have the staff to do them.

2220 We have changed the processes, quite rightly, but we did not increase the staff. That is why everything stopped. So I appreciate, coming from Education, that we have had staff to take forward the project but I think it is important that we do have the staff in order that we can do that.

2225 Thank you Mr Bailiff.

The Bailiff: I think Deputy Dudley-Owen is indicating she has a very short speech that she can deliver before 1 p.m.

2230 **Deputy Dudley-Owen:** Sir, if I was not cut off, I may be tempted. But I think that you may cut me off after three minutes, because it will extend –

The Bailiff: In that case, Deputy Oliver has a very short speech.

2235 **Deputy Dudley-Owen:** May I reserve a place after lunch?

The Bailiff: Yes. If you are not going to finish, Deputy Oliver has a short speech, so we will have Deputy Oliver's speech and then we will rise.

2240 **Deputy Oliver:** Thank you, sir.

I have quite mixed feelings about this Budget. I feel that we still have not really fixed the problem of Zero-10. What we are doing is trying to get a bit of tax here and a bit of tax there. It is what Deputy Gollop would call the stealth tax, but it is not that stealthy. I am glad that we are going to be looking at the fiscal policy in January but I do feel it is the wrong way around. It is a bit of a cart before the horse. There is very little in this debate about growing our economy. Most of it is what taxes are increasing. The only place where we really have diversified is the green economy, the green financial, which was an amendment, and also Proposition 11, which we are now taxing income from cannabis.

2250 No Budget would be complete without speaking about Aurigny. Every year, for a number of years, we seem to be bailing out Aurigny, what they cannot pay for. However, to a certain extent I do not mind giving Aurigny the money for better services. However, what we need is a proper strategy so we know what we are going to be spending on Aurigny. This needs to happen sooner than later.

I just cannot believe it has not happened already and hopefully Proposition 38 will solve this, along with Economic Development agreeing the PSO, Proposition 36. If Deputies and the public

2255 knew where Aurigny's money was spending, there would be less complaining and a strategy will certainly sort this out. It is the secrecy that annoys people.

I will be voting for Propositions 34 to 37, but next year I hope that reluctance goes away and we have a clear strategy of what we are paying for. There are a number of Propositions, which I will not be voting for, mainly of TRP, and that was very eloquently explained by Deputy Merrett, so

2260 I will not be repeating that.

Thank you, sir.

The Bailiff: Thank you. We will rise and resume at 2 p.m.

*The Assembly adjourned at 1 p.m.
and resumed at 2 p.m.*

The next part of the draft Hansard will be completed as soon as possible.