

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

29th April, 2020

Proposition No. P.2020/91

POLICY & RESOURCES COMMITTEE

COVID – 19 PANDEMIC – FUNDING OF FINANCIAL RESPONSE

AMENDMENT

Proposed by: Deputy A C Dudley-Owen

Seconded by: Deputy E A McSwiggan

1. To substitute, for Proposition 1, the following:

“1. To delegate authority to the Policy & Resources Committee to approve financial support measures for businesses and individuals as a result of the Covid-19 pandemic, of up to £100million, to be funded from the Core Investment Reserve, and to direct the Policy & Resources Committee to report, on a quarterly basis, on how such funding has been spent.”

2. To substitute, for Proposition 2, the following:

“2. That, notwithstanding –

- i. the Resolution of the States of the 16th January, 2020 on Article V (proposition 1) of Billet d’État no. 1 of 2020, to adopt the Fiscal Policy Framework and its Principles as outlined in Section 5 of the Policy Letter entitled “Review of the Fiscal Policy Framework and Fiscal Pressures”, and*
 - ii. Principle 7 of those Principles (States’ total debt should not exceed 15% of GDP) and the first two items thereof (that Gross debt can be deployed only to finance the investment in infrastructure or assets and that Any project or acquisition supported with recourse to government debt must be able to generate sufficient revenue to meet the repayment of that debt),*
- a. To authorise the Policy & Resources Committee to enter into a maximum of £250,000,000 of additional external borrowing facilities, for an initial period of 2-3 years only (but subject to Proposition 2(b)), in order to meet*

the short-term cash-flow requirements of the States, on such terms and conditions as the said Committee shall deem appropriate.

- b. To agree that authorisation for the Policy & Resources Committee to enter into an additional tranche of a maximum of £250,000,000 of external borrowing facilities, or to extend the initial facility referred to in Proposition 2(a) beyond 3 years, will be contingent on the States approving:
 - i. a Recovery Strategy for the Bailiwick (including an indicative spending plan) which will be developed by the Policy & Resources Committee, working in consultation with States' committees; and*
 - ii. the broad terms and conditions for such borrowing, the proposed sources of such borrowing, and the basis on which it is proposed such borrowing will be repaid.**
- c. To agree that the Policy & Resources Committee will commission the Independent Fiscal Policy Review Panel to undertake regular reviews of, and provide assurance on, the economic and fiscal recovery plan and its delivery, initially on a six-monthly basis.*
- d. To direct the Policy & Resources Committee to amend the Terms of Reference for the fiscal review agreed by the States in January 2020 (Article V of Billet d'État I, 2020) to incorporate the financial implications of the Covid-19 pandemic."*

Rule 4(3) – financial implications

The last Annual Independent Fiscal Report cost £45,000 plus managing and co-ordinating the process and providing the necessary information required an estimated 150 hours of staff time. We understand the majority of the remaining work set out in this amendment is already being undertaken, and therefore should not incur additional costs.

Explanatory Note

This amendment:

- Accepts the need for **£100m to be spent on businesses and the community** as part of our immediate response to Covid-19 (as in P&R's proposals), with a commitment to transparency by publishing how such funding has been spent.
- Authorises P&R to seek a **short-term (2-3 year) borrowing facility of no more than £250m** to meet the States' current cashflow requirements.
- Directs P&R to **return to the States with a plan before entering into longer-term or larger amounts of borrowing.**