

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

7th November, 2023

Proposition No. 2023/114

Policy & Resources Committee

The States of Guernsey Annual Budget for 2024

MOTION UNDER ARTICLE 7(1) OF THE REFORM (GUERNSEY) LAW, 1948

Proposed by: Deputy G A St Pier
Seconded by: Deputy H J R Soulsby MBE

To suspend Rule 24(2) of the Rules of Procedure of the States of Deliberation and their Committees to the extent necessary to permit the amendment below to be debated.

AMENDMENT

Proposed by: Deputy G A St Pier
Seconded by: Deputy H J R Soulsby MBE

To insert a new proposition as follows:

“To direct the Policy & Resources Committee (having consulted with States’ Members and such as other stakeholders as the Committee shall see fit) to submit for approval no later than 31st March 2024 to the States funding options, including borrowing if appropriate, for the capital portfolio (including the Transforming Education Programme (TEP,)) which are both affordable and sustainable (having considered among other things the capital portfolio delivery timelines, the interaction of projects, cashflows and financing costs), pending which:

a) TEP shall be part of the capital portfolio and the Committee shall be authorised using delegated authority to continue to fund the ongoing costs of delivery of the TEP from General Revenue Reserve;

b) “and including a contingency of £30m to cover any additional inflationary pressures” shall be rescinded from Resolution 6 on item V, entitled “Funding & Investment Plan, 2023/101”, of Billet d’État No. XVII dated 2nd October 2023;

c) the Committee shall not be permitted to exercise the authority granted to the Committee in Resolution 16 on item 1, entitled “Government Work Plan 2021-2025,

2021/71”, of Billet d’État No. XV dated 21st June 2021, to take out new borrowing to a maximum of £200m, other than that required in respect of the Our Hospital Modernisation Programme – Phase 2 following Resolution 6 on item V, entitled “Funding & Investment Plan, 2023/101”, of Billet d’État No. XVII dated 2nd October 2023” not exceeding £70m

d) it is noted that all committees, in delivering the outcomes and objectives of capital projects, remain responsible in overseeing those projects for seeking opportunities from value engineering or any other capital or recurring revenue savings.”

Rule 4(1) Information

- a. The proposition contributes to the States’ objectives and policy plans by enabling the progress of Government Work Plan priorities having regard to the States’ financial position.
- b. There has been consultation with the Policy & Resources Committee. There has also been consultation with Deputies Dudley-Owen and Kazantseva-Miller among other deputies.
- c. The proposition has been submitted to His Majesty’s Procureur for advice on any legal or constitutional implications.
- d. There are no additional funding costs associated with the amendment.

Explanatory note

This amendment arises directly from Deputy Kazantseva-Miller and Dudley-Owen’s open letter to all members, in particular their call for “Collaboration, professional engagement without judgement where we can come together, representing our community finding common ground and good solutions.”

The amendment seeks to find consensus by compromise:

- For those who have concerns about imposing corporate levies without adequate consultation with and the support of the financial services industry, or those who have concerns about committing to more borrowing - advised by Treasury to be unsustainable in the long-term without a plan to ensure it is fundable and affordable - it places a brake on these proposals (other than any borrowing required in respect of the decision already taken in relation to the capital portfolio.) It directs P&R to return to the States by 31st March 2024 with further funding proposals.
- For those who have concerns about further delay to TEP, it green lights TEP by authorising P&R to use the General Revenue Reserve, subject to the normal responsibility and accountability P&R has in using its delegated authority to oversee the capital portfolio ensuring value for money and good project governance. The

balance on the General Revenue Reserve at 31st December was £469m, of which £327m is unallocated. It should be noted that although Treasury policy is to aim to keep General Revenue Reserve at a minimum of £350m, this is not part of the Fiscal Policy Framework. It should also be noted that before reserves were combined into the General Revenue Reserve in 2021, the Capital Reserve had a balance of £185m and the (old) General Reserve had a balance estimated at £85-90m. It should also be noted that Treasury assumptions are that from 2026, capital expenditure will be delivered at a sum equivalent to 2% of GDP per annum. The actual profile of spending will have a significant impact on cash flows and funding requirements.

- For those who have concerns that projects, once approved, are delivered without consideration of any available capital and revenue savings which might otherwise be available to deliver the same project objectives, it notes committees' existing ongoing responsibility to secure those savings.

It is hoped that this amendment will enable a number of the extant lodged amendments to fall away and to foreshorten further debate on the 2024 Budget.

[NB It also rescinds the £30m inflation-related contingency added to the capital portfolio by the successful Brouard/Bury amendment to the F&IP, as this sum is without solid foundation. Doing so reduces the related borrowing authority from £100m to £70m – albeit that borrowing specifically in relation to OHM - Phase 2 may not in any event be needed given the timings of delivery of that project.]