

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

28th January, 2025

Proposition No. P. 2025/136

Policy & Resources Committee

Guernsey's Fiscal Policy Framework

AMENDMENT

Proposed by: Deputy R Humphreys

Seconded by: Deputy T Rylatt

1. To insert an additional proposition as follows:

“ To direct the Policy & Resources Committee to incorporate into the Funding and Investment Plan, in consultation with all Committees, a structured public service efficiency programme that targets a 1% real-terms annual reduction in baseline public expenditure for the years 2027,2028, and 2029 (with 2026 as the baseline year).”

Rule 4(1) Information

- a) The proposition contributes to the States' objectives and policy plans by ensuring sound use of public funds.
- b) Informal consultation has taken place with the Policy & Resources Committee.
- c) The proposition has been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.
- d) There are no financial implications to the States of carrying the proposal into effect.
- e) Drafting advice has been sought from the States Greffier and advice was sought from officers of the Policy & Resources Committee.

Explanatory Note

Guernsey faces an urgent and escalating fiscal crisis: the approved 2026 Budget confirms a structural deficit of £77 million (or up to £98 million under the proposed Fiscal Policy Framework), with an operating deficit of over £9 million in day-to-day spending and a projected £115 million drawdown from reserves. Without decisive action, this unsustainable trajectory, driven by, *inter alia*, demographic pressures, rising health and care demands, and stagnant revenue growth, will erode our financial resilience, deplete reserves critically needed for emergencies. Which will, in turn, necessitate increasingly severe measures in the future, including deeper reductions to essential services or significant tax increases for islanders facing cost-of-living pressures.

The Government Work Plan 2026-2029 correctly prioritises fiscal sustainability and commits to efficiency improvements, such as reducing reliance on consultants and reviewing services for cost-effectiveness. However, it falls short by lacking specific, binding targets to enforce discipline across committees, and these need to be incorporated into the Funding and Investment Plan.

The reason for requiring this commitment in the GWP is broadly around timing as the debate on the Funding and Investment Plan follows the debate on Tax reform. It is important to send a strong signal to the Guernsey public that we are taking our responsibilities seriously and considering savings alongside and tax changes.

The 2026 Budget delivered £2.5 million in general revenue savings (part of a £4 million total), a commendable start, but insufficient against a £77 million structural deficit. **A majority felt unable to support the amendment to reduce spending to 2025 levels, due to the lack of nuance in the process.**

This amendment seeks to build on the momentum of the savings achieved this year targeting a 1% annual real-terms reduction. It is acknowledged that, if the budgets of Health, Education, Blue Light Services, and Income Support are somewhat protected (although not ignored), this translates into a potentially more challenging ~3.5% reduction across other budgets before inflation adjustments. This is more demanding, and it is imperative that savings are sustainable, long-term, and repeatable, avoiding short-term measures that could cause wider damage. Nevertheless, it remains essential to demonstrate effective fiscal leadership ahead of major tax reform debates in 2026. Having this target will implore consideration of savings in an appropriate way.

By way of a simplified example detailed savings calculations (using the approved 2026 Committee Net Expenditure of £678.04 million as the baseline):

- 2027: 1% reduction = £6.78 million

- 2028: 1% on adjusted baseline ≈ £6.71 million (cumulative ≈ £13.49 million)
- 2029: 1% on adjusted baseline ≈ £6.64million (cumulative ≈ £20.13 million)

These cumulative savings of approximately £20 million over three years could meaningfully address one-quarter of the structural deficit, reduce reliance on one-off revenue measures or borrowing, and provide scope for tax reforms without compromising core priorities such as health, education, and housing, provided they are carefully targeted to avoid unintended harm.

At just 0.33% per year across the term, this target is conservative, evidence-based (building directly on the 2026 Budget's proven £2.5 million efficiencies), and protects frontline services through focused reviews of non-essential spending.

This could be achieved through:

- A rolling programme of rigorous service reviews of operational spending, prioritising savings in non-essential consultancy and external advisory costs;
- Identification and elimination of duplicative or low-priority activities;
- Widespread adoption of artificial intelligence within the States of Guernsey with a view to improve efficiency of processes and administrative tasks;
- Enhanced value-for-money assessments for services;
- Prioritising sustainable, long-term structural changes to operational models alongside short-term, readily achievable efficiencies, whilst taking care to avoid cuts which are unsustainable and will lead to the reintroduction of the same or increased costs in the medium term;
- Taking cost savings with any unavoidable impacts mitigated through targeted reinvestment;
- Requiring Committees to bring forward cost savings as part of the budgeting process;

It is imperative that increases in operating income are excluded as a means of achieving cost savings targets.

This amendment aligns seamlessly with the GWP's emphasis on "improving efficiency across government operations" and ensures transparent accountability via annual reporting.

The amendment sends a clear message to islanders that government is prepared to lead by example in fiscal responsibility, safeguarding Guernsey's long-term prosperity and avoiding the intergenerational unfairness of deferring necessary action. Failure to act now risks a deeper crisis, approving this measure is a responsible, proportionate step toward genuine sustainability.

This is not intended to be is a uniform 1% reduction imposed across all budgets. It is proposed as a nuanced, targeted approach, intended, to deliver effective and sustainable savings.

If we are to introduce any tax reform, we must clearly, openly, and transparently demonstrate targeted savings alongside it if we are to secure public confidence and support.