P.2023/101 Amdt 1

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

17th October 2023

Proposition No. P.2023/101

Policy & Resources Committee

Funding & Investment Plan

AMENDMENT

Proposed by: Deputy P Roffey
Seconded by: Deputy A Matthews

To delete all Propositions and replace with the following:-

"1. To agree that the financial position of the States requires urgent attention and that, as a bare minimum, the following core measures should be agreed which will temporarily stabilise the position:-

a. implementing the package of core cost reduction targets and revenue raising measures set out in Appendix 1;

b. maintaining the current level of the General Revenue Reserve in this term;

c. investing up to £95m to complete the 'in flight' capital schemes as set out in Appendix 1; and

d. investing in the policy, strategies and plans agreed as part of the Government Work Plan over the remainder of this term of government;

and to authorise the Policy & Resources Committee to implement these agreed measures.

AND IF PROPOSITION 1 IS APPROVED:-

2. To agree that the States shall address the current and future expected structural deficit by way of the following measures:-

a. implementing the full progressive tax and benefits package as proposed to the States in early 2023 (see item 5, entitled "The Tax Review: Phase 2, P.2022/112" on Billet d'État No. III of 2023 P.2022/112) and set out in Appendix 1, in order to put the finances of the States into a sustainable position thereby being able to afford future capital investment, address the deficit and begin to rebuild reserves;

b. agreeing that the Policy & Resources Committee should work with Principal Committees to develop a plan for the use of ringfenced funds of £2.5m per annum for social and community benefit, as set out in Paragraph 8.2 of this policy letter;

and to authorise the Policy & Resources Committee to implement these agreed measures.

OR, IF PROPOSITION 1 IS APPROVED BUT PROPOSITION 2 IS NOT APPROVED

3. To direct the Policy & Resources Committee to return to the States by September 2026 with proposals for addressing the deficit and putting the finances of the States into a sustainable position.

4. To agree that the States shall address historical chronic under-investment in public infrastructure by:-

   a. adopting Portfolio 3 estimated at a total of £520m (including the in-flight schemes), as set out in Appendix 1, as the agreed major capital investment portfolio for the remainder of this term;

   b. on the basis that funding available is insufficient to fund Portfolio 3, agreeing therefore that new borrowing should be taken out to support the funding of major capital expenditure; and

   c. increasing the authority granted to the Policy & Resources Committee in Resolution 16[1] on item 1, entitled "Government Work Plan 2021-2025, 2021/71", of Billet d'État No. XV dated 21st June 2021, to enable the Committee to take out new borrowing to a maximum of £350m;

   and to authorise the Policy & Resources Committee to implement these agreed measures.

OR, IF PROPOSITION 4 IS NOT APPROVED:-

5. To agree that the States shall address historical chronic under-investment in public infrastructure by:-

   a. adopting Portfolio 2 estimated at £440m (including the in-flight schemes), as set out in Appendix 1, as the agreed major capital investment portfolio for the remainder of this term;

[1] This Resolution authorised the Policy & Resources Committee to take out new external borrowing up to a total maximum of £200million for a period of up to 40 years, on such terms and conditions as the Committee deem appropriate.

b. on the basis that funding available is insufficient to fund Portfolio 2, agreeing therefore that new borrowing should be taken out to support the funding of capital expenditure and that the balance of the Health Service Reserve should be used to fund the Our Hospital Modernisation Programme; and

c. reaffirming the authority granted to the Policy & Resources 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;

and to authorise the Policy & Resources Committee to implement these agreed measures.

OR IF BOTH PROPOSITIONS 4 AND 5 ARE NOT APPROVED:-

6. To agree that the States shall:-
   a. adopt Portfolio 1 capped at £190m (including the in-flight schemes), as set out in Appendix 1, as the agreed capital investment portfolio for the remainder of this term;

   b. limit major capital expenditure to funds of £190m available from within existing reserves; and

   c. rescind Resolution 16 on item 1, entitled "Government Work Plan 2021-2025, 2021/71", of Billet d'État No XV dated 21st June 2021 authorising the Policy & Resources Committee to take out new borrowing to a maximum of £200m;

and to authorise the Policy & Resources Committee to implement these agreed measures.

AND, ONLY IF PROPOSITION 2 IS APPROVED TO AGREE
EITHER:

7. As part of the package of progressive measures as set out in Scenario 3 in Appendix 1, to introduce a broad-based Goods and Services Tax at a rate of 5%, as laid out in Section 8 of this policy letter, with minimal exemptions and zero rating.

OR:

8. As part of the package of progressive measures as set out in Scenario 3 in Appendix 1, to introduce a broad-based Goods and Services Tax at a rate of 6% with minimal exemptions and zero rating excepting that a zero rate should be applied to food and non-alcoholic drink products, as laid out in Section 8 of this policy letter.

AND IF PROPOSITION 7 OR 8 IS APPROVED

9. To agree that the legislation implementing the introduction of Goods and Services Tax shall come into force on 1 January 2026 and remain in force until 31 December 2032,

unless extended for such periods as the States may by Resolution determine following recommendations by the Policy & Resources Committee.

AND

10. To direct the preparation of such legislation as may be necessary to give effect to the above decisions."

Rule 4(1) Information

a) The propositions contribute to the States' objectives and policy plans and are in line with the Government Work Plan priorities.

b) In preparing the propositions, consultation has been undertaken with the Policy & Resources Committee.

c) The propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.

d) The financial implications to the States of carrying the proposal into effect are as presented in the policy letter.

Explanatory note

This amendment does not change any of the proposals from the Policy & Resources Committee, rather it unbundles them. At the moment the options are presented in a way which conflates the various options for level of States' revenues required to be raised with various lists of existing capital projects requiring funding.

This is highly misleading. Of course, those projects do need funding if we intend to proceed with them. However, the overriding determinate of how high States' revenues need to be in the medium term is the requirement to fund revenue budgets in order to meet future demands.

Revenue costs are projected to increase very significantly, largely but not wholly, due to changing demographics. On top of this the States will need to generate sufficient revenue surpluses to invest properly in Guernsey's capital infrastructure and to avoid any repetition of what the Policy & Resources Committee is calling "historical chronic under-investment in public infrastructure". That future capital investment will be on projects which in many cases are not yet identified. To put it simply it is our future holistic funding requirements [both revenue and capital] which should be driving our taxation policy, not today's wish list of capital projects, or how many of them we wish to proceed with at this time.

This amendment de-couples those two very different issues while still allowing the States to vote on both.

Of course, that does allow Members, in theory, to vote for highly irresponsible combinations of options. For example, maximum capital spending, funded by a very high level of borrowing, but with very little in the way of revenue raising measures. It is to be hoped that no Member would act so irresponsibly.

Conversely it allows Members to act more prudently than under any of the Policy & Resources Committee's three scenarios. For example, backing their proposed revenue raising measures but still borrowing less than £350M and spending less than £520M on capital projects at this time.