P.2023/114 Amdt 12

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

7th November 2023

Proposition No. P.2023/114

Policy & Resources Committee

The States of Guernsey Annual Budget for 2024

AMENDMENT

Proposed by: Deputy A Dudley-Owen
Seconded by: Deputy S Aldwell

To insert a new Proposition as follows: -

25. To agree that completion of the Transforming Education Programme (Post-16 Campus at Les Ozouets, secondary school transformation and TGI Digital) at an estimated cost of £111m shall be added to the agreed capital investment portfolio for the remainder of this term, and the level of contingency reduced to £20m, taking the total portfolio value to £441m and to agree to reaffirm 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.

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 proposition information has been provided by Officers from States' Treasury and Education and consultation has taken place with individual members of the Policy & Resources Committee and due to the timing of the debate and the deadline for submission, they were unable to give any commentary prior to submission.

c) The propositions have been submitted to the Law Officers for advice on any legal or constitutional implications.

d) The financial implications to the States of carrying the proposal into effect are in line with the original propositions set out in the Funding & Investment Plan Policy Letter (Billet d'État XVII 2023)

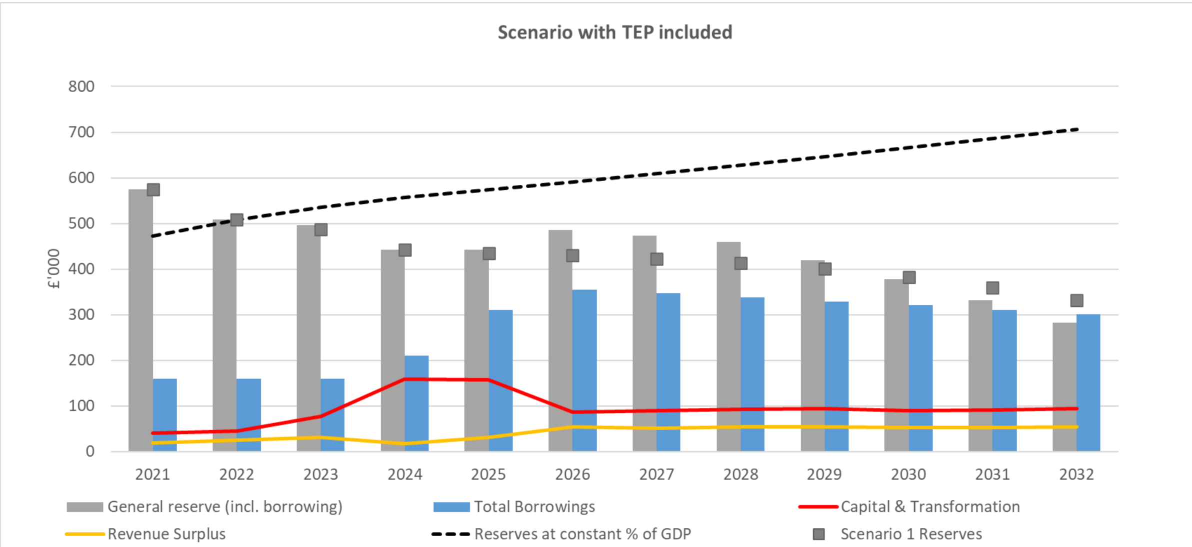
Explanatory note

- This amendment adds back into the capital portfolio the elements of the Transforming Education Programme (TEP) at a cost of £111m which were not agreed as part of the Funding and Investment Plan (F&I Plan) on 20th October 2023.
- It also reduces the level of contingency provision that was added by Deputy Brouard's amendment from £30m to £20m.
- This makes the portfolio and funding requirement very similar to the F&I Plan Scenario 2 (proposition 5 in the final set of propositions).
- Overall, this reflects an increase of £101m in capital spend compared to the portfolio agreed by the States as part of the F&I Plan debate (£340m).
- Approval would avoid:
    - nugatory wasted expenditure at Les Coutanchez and La Mare de Carteret High School of c.£14m (based on today's prices without knowledge of timing of works) to keep buildings operational for 10-15 years. This is a high-level estimate, and a full survey would be needed to confirm required works.
    - although the Delancey campus is of a better build quality compared to Les Coutanchez, it is envisaged that works would be required to Delancey if extending operational use for 10-15 years. We do not currently have an estimate of works required. Further, the rooms at Delancey are inflexible in terms of design and size and do not support modern teaching and learning.
    - a re-work of HSC plans on the Institute (a project dependency is the provision of the institute library at the LOC).
    - any unnecessary further delays to the TGI project and the transformation of Secondary education
- Including TEP in the portfolio would allow the project to deliver the estimated savings. The programme has identified means of reducing the annual cost of Secondary and Further/Higher Education by between £1.1m and £1.4m in revenue cost, compared with the preceding cost of operating. Of this, a £220k saving has already been realised along with a further reduction of £365k which has been reinvested to support improved education provision. It should also be noted that a further saving of £300k to £600k will become available once the programme is completed and services centralised at the Les Ozouets Campus, along with £200k of cost avoidance in maintaining the existing outdated estate. Without the programme progressing delivery of savings would be challenging.
- Without further programme funding there would be revenue pressures due to the continued use of portacabins and older buildings, as well as the inability to deliver the savings from the proposed model of TGI which would enable the GTA to release its current locations and save the rental costs. The estimated cost per annum of renting portacabins is c.£265k (this includes the replacement of 7 old units at Les Coutanchez and the continued rental of units at Les Coutanchez and Les Varendes). However, if this was a long-term solution it may be better value for money to purchase units.
- Prioritising TEP in this term's capital portfolio will enable the release of Les Coutanchez and Delancey as planned. In particular the release of the site at Les Coutanchez beneficial to the States as it is zoned for housing development.

- Without the project funding, essential refurbishment works to Les Varendes would still be required. This is currently estimated to cost between £6.8m and £7.8m (inflated to Q2 2027).
- Ultimately investment in a post-16 facility will be required at some point in the future. Failure to invest now would simply be a deferral of the cost.

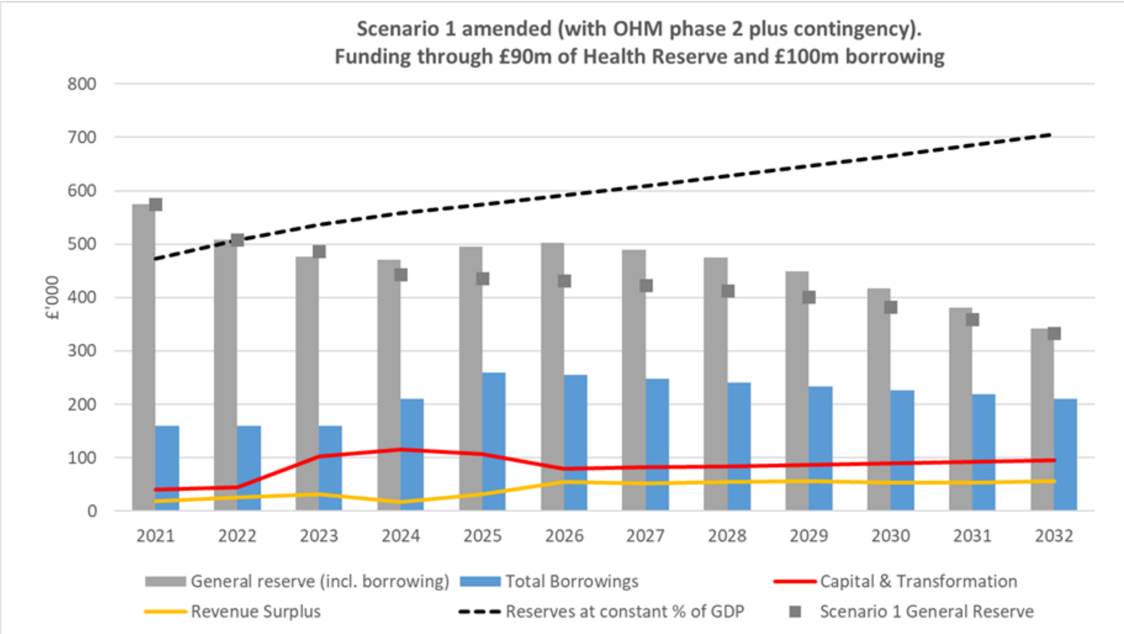
Funding:

- This amendment would be funded from the authority already in place which allows the use of up to £90m of the Health Service Reserve plus borrowing of up to £200m (if required).
- The repayment of this borrowing would be funded from the additional £35m (£25m new revenue and £10m savings) agreed as part of the core package.
- The cost and the repayment of borrowing was already factored into the Scenario 2 model in the F&I Plan.
- This model is affordable in the short to medium term but relies on future States making decisions on how to return to a sustainable financial position, with any new measures ready for implementation by 2028/2029.
- The interest on the borrowing is estimated at circa £10m-£11m per year from 2026-2032, with the capital repayment included at c£3m per year from 2027. The debt is based on a 30-year term, with repayments totalling £19m by end 2032.
- The chart below illustrates the financial projections if the TEP programme was included in the portfolio, and next term's capital limited to 2% of GDP, with £200m of new borrowing. The grey boxes indicate how this compares to the closing reserves of the original Scenario 1 for comparative purposes.
- Note: this chart reflects the latest project spend phasing for OHM Phase 2 and borrowing drawdown is assumed at £50m in 2024/£100m in 2025/£50m in 2026.

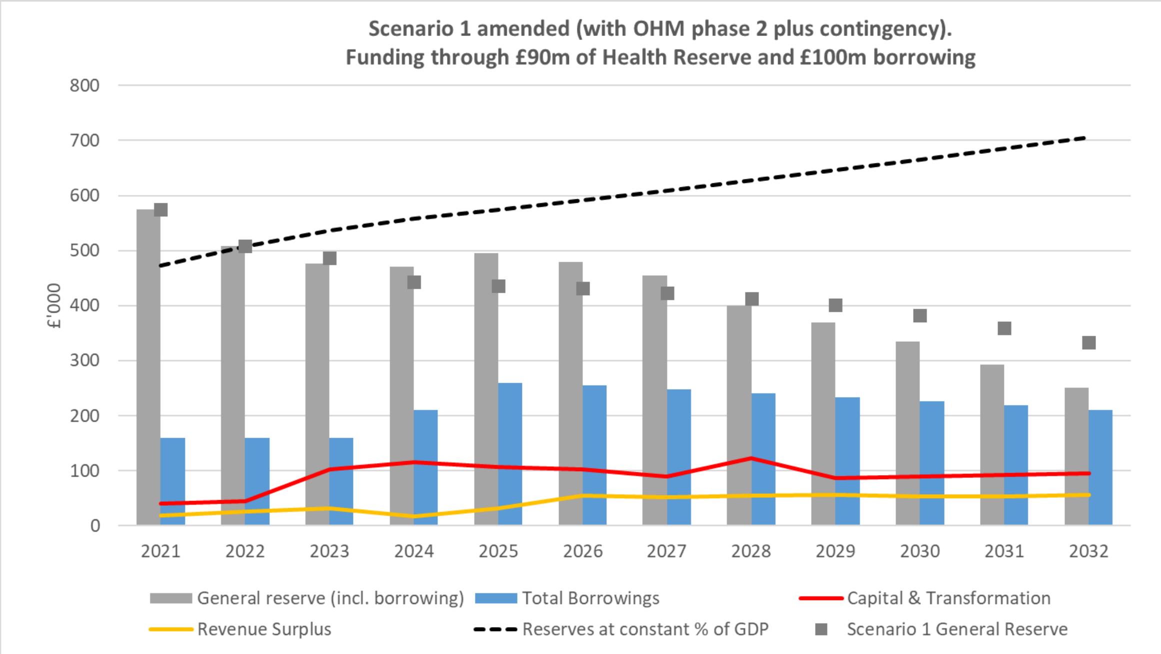


Funding previously agreed:

- The capital portfolio agreed by the States as part of the F&I Plan was £340m, significantly higher than the £190m included in Scenario 1 of that policy letter (Scenario 2 capital portfolio was proposed at a value of £440m). As such, it is considered very likely that borrowing will be required to fund this agreed portfolio.
- While no specific borrowing amount was included in Deputy Brouard's successful amendment, modelling from officers at States' Treasury shared with all States Members post-debate, has shown that the estimated borrowing that may be required in order to retain reserves in line with Scenario 1, could be between £100m and £190m (depending on the capital envelope assumed in the next political term).
- The cost of this borrowing would be between £6m-£10m per year.
- Therefore, the decisions already made by the States rely both on borrowing and the future States making decisions on revenue raising to ensure the long-term sustainability of States' finances.
- The chart below illustrates the financial projections based on the decisions made in the F&I Plan debate, assuming the capital spend in future terms is restricted to 2% GDP and with borrowing of £100m.



- Note this leaves little for the next term's capital portfolio and there is a large list of pipeline projects.
- With the borrowing restricted to £100m and the next term's spend at 2% of GDP plus OHM phase 2 (i.e., OHM Phase 2 does not count towards the 2% of GDP allowance for future terms capital spend, it is in addition to) – the chart changes to the below. More borrowing may be required, depending on the capital prioritisation of the next term.



Impact on Education Delivery:

- The vision for the post-16 Campus is to provide an adult centre of learning for the Bailiwick for all post-16 learning which will not be possible without this amendment.
- The vision for the TGI is to become a centre of excellence for technical, vocational and professional learning to support the Bailiwick's growth by delivering high quality education and training which drives economic success and fosters healthy and connected communities.
- The integration of the three TGI organisations creates opportunities for a co-constructed curriculum. This, alongside a Sixth Form Centre will enable greater employer engagement alongside the many shared opportunities provided by co-location.
- The message that the poor physical education Estate sends to young people, their parents and to employers is that Guernsey does not value further and higher education and the positive impacts of technical and vocational skills and learning.
- The accommodation and facilities currently at the College of Further Education would not support the desired University College status and validation would be impossible for degree level programmes without this amendment.
- The full integration of the three organisations of The Guernsey Institute is impossible without the digital funding.
- This amendment avoids any unnecessary further delays to the TGI project and the transformation of Secondary education which are having a detrimental impact on staff morale, recruitment and retention. The system needs stability to attract and retain the very best staff.
- This amendment supports the provision of fit for purpose accommodation for the Music Service, the Youth Commission, the SHARE team and a specialist Communication, Interaction and Autism Base at Les Beaucamps which are all essential parts of our Education eco-system.

Impact on Wider States Initiatives:

- The continued use of Les Coutanchez campus will fail to release land for housing which has been identified as part of La Vrangue Development Framework. Noting that the States recently determined that Housing is the number one priority for the Island. The Education estate at Les Coutanchez is a considerable area within a 'Housing Allocation' site which is the subject of a Development Framework being finalised by Planning Services for public consultation and review by the Development & Planning Authority. At 8.5 ha, La Vrangue is the Island's largest area for housing allocation alongside which it will make a very significant contribution to improving infrastructure and mobility links once developed. Ensuring the Transforming Education Programme continues will give certainty to the developers in relation to master-planning of the allocated site as a whole. The timeframes had previously aligned well such that the planning process could be run concurrent resulting in homes planned for and site clearance starting shortly after the decant of students.
- The release of the Delancey campus will enable the land to be returned to the Parish for potential use as Housing or however the Parish sees that the land should be used.
- Homes and education facilities are essential if the Island is to grow the economy as has been established as the preferred approach by the Assembly This amendment avoids the need for any re-working of HSC's plans on the Institute for Health and Social Care Studies as both the library and leaning centre at the Institute will be required to relocate in the summer of 2027. The provision of such facilities is a requirement for validation of nurse training.
- This amendment supports other aspects of the Government Work Plan. In particular, the criticality of implementing the Human Capital Development Plan which needs high quality facilities and skilled workforce. There is also an interdependency for economic growth (as per the Population and Immigration Policy agreed by the States 12 months ago) as good schooling attracts workers. It is essential to grow participation in work through skilling, reskilling and upskilling, particularly the 50-65 age range who may be retiring and supporting the economy through third sector or carer roles. There is also a critical need to train health and care workers to meet the growing demand and expanded facilities of the PEH, plus the needs that SLAWS will identify in Q2 next year. The new post 16 campus will support all the above aims.