

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

5th November 2024

Proposition No. P.2024/91

Policy & Resources Committee

The States of Guernsey Annual Budget for 2025

AMENDMENT

Proposed by: Deputy M Helyar
Seconded by: Deputy D Mahoney

1. To amend Proposition 29 by replacing “£650.0m” with “£610.3m” and deleting the words “and the revenue expenditure budgets as set out on pages 126 to 146”.
2. To replace table 14 in paragraph 6.17 of the Budget Report with the table in the Appendix to this amendment.
3. To insert a new proposition 32 to read: “To direct the Policy & Resources Committee, in its role as the employer of the public sector workforce, to put in place arrangements with effect from 1st January 2025 to ensure that new employees are appointed on a static pay rate applicable to the role in question and their capabilities and experience for it, with no incremental increases to apply.”
4. To insert a new proposition 34 to read: “To direct the Policy & Resources Committee, in its role as the employer of the public sector workforce, to direct that any post that has been vacant for six months or more should be deleted, and should be reinstated only if the service area concerned can demonstrate that a post is essential to the continued delivery of frontline services.”
5. To insert a new proposition 36 to read: “To direct the Policy & Resources Committee, in its role as the employer of the public sector workforce, to close the existing Public Servants’ Pension Scheme to new entrants with effect from 1st January 2026 and to replace it with a Defined Contributions scheme, with employer contributions no higher than the current rate paid for members of the existing defined benefit scheme.”

Rule 4(1) Information

- a) The proposition(s) contribute(s) to the States' objectives and policy plans by halting rising government costs.
- b) In preparing the proposition(s), consultation has been undertaken with the States Treasurer and team.
- 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 a reduction in budgeted cost for 2025 of £39.7m. There is a risk that Committees are unable or simply unwilling to attempt to achieve the cost reductions required and may overspend this proposed budget. Unforeseen events can also place significant pressure on a shrinking budget reserve. Recruitment may become more challenging with some of the proposals and there may be additional costs as those committees with relevant mandates respond by covering front-line roles with agency cover or overtime as a result. Recruitment costs could also increase as a result.

Explanatory note

Guernsey has now entered into a deficit position which was widely predicted for the past 4 budgets but which has been accelerated by a sudden and unforeseen drop in income taxation from within the finance sector. There is no prospect, absent some unforeseen and very unlikely economic upturn, of reversing this deficit position, Guernsey has effectively reached a permanent tipping point where rising government costs can no longer be covered by our revenue income.

We continue to fund certain significant annual outgoings from declining savings and reserves (state (ie old age) pensions and NICE drugs for example), and are now reliant to a significant extent on fickle, paper investment returns to produce any form of positive outturn in our annual accounts. This means we cannot utilize any significant reserves to fund infrastructure investment or repairs (or face losing or reducing investment returns) and would struggle to finance any significant debt obligation because the budget contains no headroom. Nor can we adequately afford to fund projects which could produce (or maintain) economic activity and growth.

Guernsey GDP growth has also reversed since the 2024 budget whilst numbers of working population continue to decline and our main economic activity is producing

anecdotal evidence of stress. It is widely acknowledged that pressure on health, aged care services and the state (old age) pension is increasing and only likely to increase further and significantly over the next dozen years.

Whilst there is a widely understood need to fund frontline public services, the need for additional taxation remains highly contentious and potentially damaging to Guernsey's long term economic future and there remains significant public concern in relation to consistent growth in public sector costs which have not been addressed during this term of government.

The public sector will have a new leader from the beginning of 2025 with a very important role in ensuring that the civil service is delivering value for money in essential services and ensuring that there is no further expansion of public sector activities (and therefore expense) given that resources are finite (and now shrinking) and there is a strong public expectation that government will live within its means.

This amendment seeks to address several issues. The first is the budget itself. In any organization, an emergency funding pressure such as those being experienced needs to be dealt with by a number of responses, not merely an increase in prices (or taxation). This must include committees managing their service provision within the means available to support them and making decisions about what is essential to the public and what is merely "nice to have". Irrespective whether income taxes are raised, or a revised tax package approved which will be implemented in years to come, government must demonstrate that it can act responsibly and frugally if the public is to accept, however reluctantly, that more revenue is going to be required.

For that reason the amendment seeks to stand still at 2024 budget levels (£610.3m). This does not save money but rather prevents an increase of £39.7 (6.5%) in committee revenue expenditure set out in the budget proposals. The sums in the table do not include any provisions for salary rises. If committees approve salary rises which in aggregate exceed the proposed reduction of £8m in employer pension contributions and wish to stay within budget limits they will have to find savings elsewhere in their mandates. This is the unfortunate but real consequence of the assembly failing to agree a sustainable tax package.

Item 3 requires the Policy & Resources Committee to make new appointments at a specified salary. Currently employees are appointed to a scale and these scales include increments which we have been advised are a contractual entitlement and which rise every year. This means that irrespective of any salary negotiations, the salary bill of the States of Guernsey rises by more than £450k per annum. This is out of step with employment practices in the private sector where base salary rises result from improvements in productivity, qualifications, or the assumption of greater responsibilities.

Item 4 is self explanatory. In a manner similar to action recently taken in Jersey, it

deletes all vacant roles which have been outstanding for more than 6 months. These can be reapplied for but they must meet a test of being essential to service delivery of frontline services.

Item 5 contains a direction to the Policy & Resources Committee to close the defined benefit scheme for new joiners with effect from the first of January 2026 and replace it with a defined contribution scheme, the aggregate cost of employer contribution to be set at no higher a rate than the defined benefit scheme upon termination. This work is already advanced with a policy letter due in early 2025 for which this proposition gives clear guidance – in other words the costs to the public should not rise further under any circumstances.

Appendix: Table 14 (Amended)

		2025	2024	Year on Year	2024
	Note	Revenue Cash Limit £'000s	Authorised Budget £'000s	Increase/ (Decrease) %	Original Cash Limit £'000s
Corporate Services	1	79,745	79,673	0.1%	79,208
Economic Development	2	10,410	11,024	(5.6%)	10,122
Education, Sport & Culture	3	91,648	93,382	(1.9%)	92,740
Employment & Social Security	4	12,676	14,401	(12.0%)	12,631
Environment & Infrastructure	5	14,094	14,791	(4.7%)	14,100
Health & Social Care	6	234,345	234,608	(0.1%)	234,823
Home Affairs	7	40,651	40,752	(0.2%)	40,285
Policy & Resources	8	13,213	18,412	(28.2%)	13,204
Scrutiny Management		620	620	0.1%	620
Development & Planning	9	1,482	1,563	(5.2%)	1,563
Overseas Aid & Development	10	4,797	4,397	9.1%	4,397
States' Trading Supervisory	11	1,662	1,991	(16.5%)	1,781
Royal Court		2,850	2,846	0.1%	2,846
Law Officers	12	7,913	8,112	(2.4%)	7,828
Pooled Budgets	13	577	576	0.1%	569
TOTAL NON-FORMULA LED		516,684	527,148	(2.0%)	516,717
Policy & Resources		2,136	2,136	0.0%	2,136
Employment & Social Security	14	74,398	74,520	(0.2%)	74,520
TOTAL FORMULA LED		76,534	76,656	(0.2%)	76,656
TOTAL CASH LIMITS		593,218	603,804	(1.8%)	593,373
Budget Reserve - General		8,727	71	n/a	6,497
GWP Initiatives/Service Developments		8,352	8,795	n/a	11,383
Corporate Savings to Be Delivered		0	(773)	n/a	(956)
REVENUE EXPENDITURE BUDGET		610,297	611,897	(0.3%)	610,297