



**OFFICIAL REPORT**

**OF THE**

**STATES OF GUERNSEY**

**SCRUTINY MANAGEMENT**

**COMMITTEE**

Policy & Resources Committee  
Public Hearing

**HANSARD**

**Guernsey, Monday, 10th February 2025**

**No. 1/2025**

*Further information relating to the Scrutiny Management Committee  
can be found on the official States of Guernsey website at [www.gov.gg/scrutiny](http://www.gov.gg/scrutiny)*

**Members Present:**

*Panel Chair:* Deputy Yvonne Burford – President  
Deputy Simon Fairclough – Vice-President  
Deputy Gavin St Pier – States’ Member

Mr Mark Huntington – Principal Scrutiny Officer

**Business transacted**

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# Scrutiny Management Committee

## Policy & Resources Committee Public Hearing

*The Committee met at 10 a.m.  
in Castel Douzaine Room*

[DEPUTY BURFORD *in the Chair*]

### **Procedural – Remit of the Committee**

**The Chair (Deputy Burford):** Good morning everyone and welcome to this Scrutiny Management Committee hearing with the Policy & Resources Committee. Today, we are going to be focusing primarily on the Capital Portfolio Review, which is due to be debated next week, together with other matters in the Committee's mandate.

5 I am Deputy Yvonne Burford and with me today is Deputy Simon Fairclough, Deputy Gavin St Pier and Mr Mark Huntington, who is the Principal Officer of Scrutiny. Following this session, we will decide if any further action is needed and there will be a transcript published on the Scrutiny website in due course. Could people please be aware that this session is being live-streamed. We will take a short comfort break at about 11 o'clock for five minutes, so if you will please ensure your  
10 phones are set to silent now.

We are pleased to welcome all five Members of the Policy & Resources Committee today. However, we have got a great deal to get through so we would really appreciate it if perhaps, where possible, just one Member answers questions and keeps answers as concise as you reasonably can, so that we can finish on time.

### **EVIDENCE OF**

**Deputy Lyndon Trott, President; Deputy Heidi Soulsby, Vice-President;  
Deputies Jonathan Le Tocq, John Gollop, Bob Murray, Members,  
Policy & Resources Committee;  
Boley Smillie, Chief Executive & Head of the Public Service;  
15 Bethan Haines, Chief Resources Officer**

**The Chair:** If I could just now ask you to please introduce yourself and we will start down this end with Deputy Gollop.

**Deputy Gollop:** Deputy Gollop, Member of Policy & Resources and interested in topics like  
20 employment and the parishes.

**The Chair:** Thank you.

**Deputy Murray:** Deputy Bob Murray.

25 **Deputy Le Tocq:** Deputy Jonathan Le Tocq, lead for External Relations and Constitutional Affairs.

**Deputy Trott:** Deputy Lyndon Trott, President of the Policy & Resources Committee.

30 **Deputy Soulsby:** Heidi Soulsby, Vice-President.

**Mr Smillie:** Boley Smillie, Chief Executive, Head of the Public Service.

**Ms Haines:** Bethan Haines, Chief Resources Officer.

35 **The Chair:** Thank you very much. Straight into the questions, what do P&R hope to achieve by the debate on the Major Projects Portfolio Review?

**Deputy Trott:** I think that probably falls to me but I want to make a couple of opening remarks, notwithstanding you have asked us to be brief. We think SMC hearings are excellent and we are all  
40 very pleased to be here, which is why we are all here. We have had some fantastic Moneyval news this morning, which sends out a very strong message that this jurisdiction is open for business and that is an enormous relief as you might imagine.

We very strongly have the belief, as a Committee, that we must, and will continue to provide continuity, resilience and reliability. A key part of the Portfolio Review is to bring into emphasis that  
45 although agreed tax reform will stabilise our financial position, it is not sufficient to replenish depleted reserves and that is something that is important; we must not lose sight of.

We are also hoping that what will come out of this important hearing this morning is a strong message to both prospective Deputies and to voters that they need to do their homework because these issues are far more complex than we might believe and in many respects, the Funding and  
50 Investment Plan green paper is no exception, because what it does is it shows that we have got a long list of genuinely priority capital developments and we have enough money to fund them.

So we have got to get ourselves into a fiscal position where we have a much more realistic sort of funding programme going forward. We believe that it is important to have a green paper, primarily to ensure that the community understands the issues and, in particular, prospective  
55 candidates understand the issues.

I think, whilst most Members of the States understand them, prospective candidates need to be extended the same courtesy so it really is important that this matter is debated so that the entire community understands the severity of issues.

The relevant papers will come back for this Committee and next to make specific details and  
60 specific projects. Nothing is pressing right now. For instance, on Alderney Airport, we are not at this stage, aware of the final figures. That will come in the passage of time. So there are no decisions for the States to make right now but lots for them to make in the future. That is the importance of the green paper.

65 **The Chair:** I think you are right that the States are very aware at the end of this term of the requirement for more funding in order for us to meet commitments but in the policy letter you have not sought to propose further revenue raising measures, as you say that businesses and householders have made plans based on the 2025 Budget, which is the rationale that you give. However, we know that new revenue raising measures take time to put in place and would be  
70 unlikely to be bringing in an income stream until next year. So, by not proposing them, is the Committee unnecessarily exacerbating the financial position of the States?

**Deputy Trott:** We are fortunate enough to have Bethan with us, whose department heads up on these issues, and within the green paper there is a section that deals with this particular issue of

75 why we have not sought to bring forward measures at this time. Bethan, are you comfortable  
elaborating on what those might be?

**Ms Haines:** Yes. Clearly the 2025 Budget is set and the Committee felt it was not of benefit to  
80 revisit some of the rates etc. agreed for this year. In terms of measures for future years that have  
already been considered by the States and are being investigated, there is already a workstream  
underway looking at motoring taxation. There is already a workstream underway looking at some  
kind of visitor levy and I have thought of a third one but I cannot remember it now.

So I think these are workstreams that are already in train and will be brought to the States in  
due course. The Committee did not feel that now was the right time to bring them.

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**Deputy Trott:** There is another point. The Budget, and the paper says this, it takes months and  
months to finalise. It requires extensive consultation with our community and those who are  
affected by the Budget proposals; a huge amount of research. It is just too late to make the changes  
to taxes at this time in the fiscal year. The Budget will come around for 2026 and will come around  
90 quickly enough and it will be about that time that the States will be ready to make these key  
decisions.

**Deputy St Pier:** Can I just come in with a supplementary in response to your first answer? It  
sounds as if the rationale for the green paper and the debate on the green paper is principally as a  
95 communication exercise to the community and to prospective candidates. Paraphrasing your  
response, that seems to be the case.

Green papers are traditionally there to allow debate that will subsequently amend, allow policy  
to be formed, as a result of that debate. Do you see the paper and the debate performing that role?  
In other words, do you see there being changes following the debate in the policy formation or is  
100 it really about the former, the communication exercise, as you have said in your first answer?

**Deputy Trott:** I think it is important to have the debate, otherwise we will not know. The only  
way of answering your question will be to have the debate. It is essential in my view that the debate  
takes place. But remember, it will be the last debate of its type. We will give an update on the fiscal  
105 position for 2024 at our Meeting in March. It will be an opportunity to ask me, and regrettably only  
me, questions at that time. The importance of the thing is that we all go into this General Election  
understanding with as much clarity as possible the issues that matter.

There are people on this table and indeed the SMC in front of me who understand these things  
in detail. I am not sure every States' Member understands the matters with the clarity that they  
110 should. This green paper discussion is a perfect example for that to happen.

**The Chair:** Was the reason behind presenting this as a green paper to avoid amendments?

**Deputy Trott:** No, but I thought you might ask that question and cynical Members would. No,  
115 the purpose of this green paper is to ensure that as many people are as well-informed about this  
crucial matter as possible.

**The Chair:** But, of course, that could have happened even if it had not been presented as a green  
paper, if it had just been presented as an ordinary policy letter.

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**Deputy Trott:** The States would have spent days debating a lot of amendments that potentially  
would not have been particularly valuable, whereas this debate will allow Members to articulate  
their concerns, their views, their priorities, their values, in a way that will be fresh in everyone's mind  
in the lead up to the election. I think it is extremely valuable.

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**The Chair:** Okay, I think those two answers say that it actually was about avoiding amendments, then.

130 **Deputy Trott:** No, it was not. If you are not prepared to accept the answers that I give, I would be surprised at that. We are very clear, this is an important exercise and it is an exercise that people need to understand the place it takes in the economic and fiscal cycle. We are very happy that it does both.

135 **The Chair:** Deputy Trott, in the States last week, you said GST would have to go up beyond 5%. Is that the view of all Members on Policy & Resources?

140 **Deputy Murray:** I have been a supporter of GST through a number of debates we have had on it and I think, originally, actually it was looked at as to whether it would be possible to bring it in at 8%. It was modelled originally like that and I think it was recognised as a step too far at the time. The major problem we have got is that this might keep us in a stable position but our reserves are depleting and this would not actually give us back anything to replace those depleted reserves.

145 It is a challenge but it could be complemented with other taxes. Obviously, we brought Income Tax as a short-term measure. That was rejected out of hand and consequently, if it comes down to GST or no GST then we will have difficulty in finding the sort of finances that the Island needs to sustain going forward. I think that is going to be a discussion very much for the next Assembly.

150 **Deputy Le Tocq:** It is not my view that GST at this stage should be increased above 5%, although I have in the past been a supporter of a reduction in Income Tax and a higher rate of GST, linked to Corporation Tax, a 10-10-10 idea. We are past that stage now. I think, going back to your first question, because from my point of view it certainly does affect that, there is a misconception that increasing revenues by multiple small measures across the board would somehow alleviate our current financial worries and I think that is a mistake.

155 For one thing, it would be death by 1,000 cuts. Most of the issues could not be resolved by putting in those things and the States' Treasurer has already alluded to some of the work streams that are already there, we would have had a debate over some of those things that are already in play.

160 So it is better, I think, to focus on the fact that this community in Guernsey, this Assembly and the next Assembly, will need to decide exactly what services are appropriate and how to fund them for this size of Island.

165 **Deputy Fairclough:** Deputy Burford, could I just come in, while we are talking about the subject of GST. (**The Chair:** Certainly.) It seems timely. Could I just ask the Committee what progress has been made to date, since the States agreed it, on the preparatory work to enable the timely introduction of GST and are you confident the revenue can be delivered according to the original timetable?

170 **Deputy Trott:** I will hand over to the States' Treasurer in a moment to elaborate on this but I think our belief as a Committee is that, if the next Assembly continues to endorse GST, it is unlikely to become functional until 1st July 2027. So we think that it has slipped by six months but we do not anticipate that it will have slipped further than that.

Having said that, we are giving it the emphasis and priority that the States has directed us to give it, as if all five Members of the Policy & Resources Committee believed it was the right solution and voted for it. There is no doubt that I am comfortable with the amount of emphasis and importance we have given it.

175 Bethan, would you like to elaborate on that for us, please?

180 **Ms Haines:** The Committee has considered several papers on the matter and has approved funding in order to progress the programme. Resources have been recruited and a project team is being established. In terms of the detailed planning, there is one key consideration that will need to come before the new States, which is whether GST is applicable to food or not and it is such a critical decision that until that has taken place some of the other elements of the project cannot flow. That is, we think that, actually, the 1st July 2027 is a more realistic date because the new States will need to decide whether GST is applicable to food or whether it is zero rated.

185 **Deputy Trott:** To put it into perspective, Deputy Fairclough, it is about 1%. So, if you want to raise the same amount of revenues, a 5% GST that taxes food is the equivalent of a 6% GST that does not.

190 **Deputy Fairclough:** I understand that point but what you seem to be suggesting is that that fundamental decision, and it does sound like a fundamental one, will not be made until the next Assembly. Therefore, just how much work can you do before the States is looking for the endorsement of a new Assembly, who might have a wide range of views on GST, including the fact that we do not or should not introduce it.

195 **Deputy Trott:** I think Deputy Soulsby would like to comment on this, so we will ask for her thoughts.

200 **Deputy Soulsby:** I will go back to, because I think we are in the middle of a separate question as well, asking about whether GST was going to go up, and I did not vote for it, but I do believe that if we want to replenish reserves, it will have to go up. If we do not want to replenish reserves, it will not have to go up. That is the difference. It will very much depend on whether we want to follow our fiscal rules or flow them completely out because we have got various rules we have said we want to retain our reserves and we are already breaching that now. It is one thing or another. If it is not GST, something else will have to give.

205 That takes me back to why we are not raising revenues now. We have just, the States, decided to bring in a GST, which increases more of a burden on the taxpayer, and then on top of that we have lots of Deputies looking around saying, we could raise some more money from people here, raise more money from people there.

210 If we have done that, we have got to look at everything in the round and that is one concern I have, little bits and pieces being added and added and not actually looking at the impact it is having on the public.

**The Chair:** Thank you.

215 **Deputy Trott:** It is worth mentioning there is an extant Resolution, as I understand it, of the Assembly, that our resources must not fall below £315 million. I am not exactly sure where the £315 million comes from, I think it is a percentage of our overall revenue cost.

220 **Deputy Soulsby:** It is where the reserves were when we lost the vote on the Funding & Investment Plan.

**Deputy Trott:** That would make sense. Had we have been approved the temporary increase in Income Tax that we proposed, we would not have fallen below that figure. We are expected to breach it now, as a consequence of the decisions of the Assembly.

225 **Deputy Gollop:** I would add to that, if I could, I personally was disappointed the 2% did not make it. Before I sat on P&R, I was on Social Security and I can confirm that we did look, in the joint meetings, at an 8% scenario initially of GST. I, like most of us, if not all of us, believe that it may well

230 have to be a higher rate but, like Jonathan, and Heidi too perhaps implicitly, I think if you were to  
have a higher rate, you should bring about significant reductions in other taxes and charges. I also  
think that perhaps, a slight minority opinion here, we are very supportive of the fundamental  
Spending Review –

235 **The Chair:** We will be coming onto that shortly, Deputy Gollop.

**Deputy Gollop:** When you think of the public out there, who want more and more spent on  
services, micro-debates on arts and sports, I think if that demand is there – and we are seeing  
debates now about retreating from paying for care, for example, in isolation – I would argue that if  
the public want these things to be funded then you cannot have the penny and the bun.

240 **The Chair:** Do you want to carry on with question two?

**Deputy Fairclough:** I would just like to finish these questions on GST because we have obviously  
got a lot of ground to cover and we are going to move on to the FSP, I think, and indeed talk about  
245 that funding gap but just finally on the GST, for now, what is the risk to the Island if a majority of  
new Deputies – and we have spoken about this coming back before a new Assembly – what is the  
risk if a majority of new Deputies are voted in on a platform of overturning GST?

250 **Deputy Trott:** The short answer to that important question is extremely high. We have got to  
raise more revenues. It is a fact; an incontrovertible fact. It is an inconvenient truth that many fail to  
appreciate that we already spend less *per capita* on public services than any of our competitors.  
That is an unsustainable long-term position and we must invest. Investment brings economic  
growth, as has been evidenced in other places. It is a well understood economic fact and we have  
not been investigating it anywhere near enough. So the risks are material.

255 Do I think those risks will manifest themselves? No, I do not. I think we have really given this a  
lot of discussion over the years and I think the new Assembly will be sensible enough and wise  
enough to embrace these measures.

260 **Deputy Fairclough:** So, what additional annual revenue income do you consider the States  
would need to have available routinely to be able to undertake all the necessary capital projects  
and remove the structural deficit within the medium-term, let us say seven-10 years, in addition to  
the GST proposals that have been approved?

265 **Deputy Trott:** The structural deficit, as shown in the green paper, is approaching £60 million a  
year. That takes into account the existing revenue raising issues. So I think the short answer is a  
figure approaching that. But in order to deliver on all of our priorities, as they are currently agreed  
by the Assembly and also to replenish reserves, is that figure sufficient, Bethan? Is the eradication  
of the £60 million ongoing structural deficit sufficient?

270 **Ms Haines:** The 5% GST with the changes to Income Tax and Social Security contributions, along  
with Pillar Two revenues, and the previous decisions of the States, which are additional income from  
motoring and further additional income from corporates, which was assumed to come from the  
Registry fees, if all of those decisions are implemented, then there would be sufficient revenue to  
fund 2% of GDP *per annum*, as required under the fiscal rules.

275 **The Chair:** Okay, thank you.

**Deputy Fairclough:** That is useful, thank you.

280 **Deputy Murray:** I just have one more thing because I do not want us to ignore health and the rising cost of health and several papers have indicated the fact that by 2040, we will be at least £40 million worse off, that is the kind of quantum that we are actually looking at.

**The Chair:** And that is not, obviously, included in these calculations?

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**Deputy Gollop:** I do not need to remind you, Deputy Burford, that sometimes, despite our good intentions, the States can not necessarily grasp the nettle of higher motoring charges so I do wonder, although that is banked, how and when the States will actually find a solution to additional revenue from that source. But it may be we are going off topic there.

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**Deputy St Pier:** Yes, I want to explore, if I may, a few more questions around the capital projects. Deputy Trott, you provided the good economic rationale that you need to invest in order to grow and we have failed to invest. However, there are some things within this list of capital projects, which are simply investing because we need to replace stuff and I am really trying to understand which projects you think, of this list, are what might be called productive capital expenditure? Things that will increase the productive capacity of the economy, as opposed to simply needing to spend in order to replace stuff, because there is a big distinction between the economic effect of the first versus the latter.

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**Deputy Trott:** It is a very good question. A good example would be Alderney Airport. It costs us about £400,000 *per annum* to repair Alderney Airport's runway. That is quite a consistent figure. It may increase marginally. I do not think it will increase enormously. However, it costs us £1.2 million each and every year to borrow the amount of capital necessary based on £24 million in order to fund a more extensive rebuild. So questions around what stokes economic activity and what is economically affordable are valid ones.

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I think the report, the Funding & Investment Plan, has a list of projects that the Assembly regards as essential but clearly the next phase of the Hospital modernisation is crucial in an ageing community. I think there are few of us who would disagree with that. Of course we have got the ongoing funding envelope of the Education Plan to consider in this as well.

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Beyond that, clearly, any investment we make into affordable housing is absolutely essential to our economy, whether that is reducing costs or enabling, in particular, our major industry the opportunity to expand and employ the people that it needs on-Island to service our existing clients. What we are seeing is we are seeing migration of a lot of this activity to other centres, simply because the industry is unable to find enough accommodation to house its key workers. It is not only those key workers within industry but also the cost of the key workers within social care.

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**Deputy St Pier:** In giving that answer you have perhaps illustrated two examples of capital expenditure between those which may be classed as productive capital expenditure, which is going to increase the economic capacity of the economy, such as having more housing, and therefore more people able to be here as opposed to leaving because they cannot be here. That is one aspect. Versus quite an expensive Hospital extension, which arguably is not going to make a significant difference to our economic capacity.

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Which drives me to my next question which is, in essence, the theme of the green paper is all of this stuff is needed; all of these projects need to be done. It is really a challenge as to why the Committee was not more ruthless in determining what the order of priorities is because they cannot all be of equal priority? They may well be needed but they cannot all be of equal priority.

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**Deputy Trott:** The States of Deliberation believes they are and it is an important point to make –

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**Deputy St Pier:** But does the Committee believe this?

**Deputy Trott:** The Committee is an organ of the Assembly and that is not a cheap answer to a complicated question. Clearly, we have to cut our cloth accordingly, but I do not think there is anyone in this room who would disagree that in an ageing population you need to modernise your Hospital. The chronic housing shortage that we have is understood by just about everybody.

Now those are two priorities that cannot be avoided. There are others that I would personally argue are less essential. So far, the Assembly has disagreed with me. I am not going to be drawn on what I think they are, personally, but I take your point but whilst they may all be priorities, some are absolutely urgent and essential and the ones I highlighted certainly fall into that category.

**Deputy Soulsby:** The States debated it on more than one occasion and said that they want this list. The previous Committee came and decided to take elements out and the States said they wanted to put them back in, so there is no indication that anything will change, if we were to say, 'Right if we take these out.' We are pretty sure that that would not end up being the final result.

Yes, the list that we have got here has gone through and been considered in great depth and you say we cannot do them all at once – I have said you cannot do it all at once because of capacity – it is meant to be a portfolio over five years; that is now going to be extended anyway. The longer that we do not do them, the worse our economy will be hit directly or indirectly.

We have got the future harbour requirements that could help the Island and reinvigorate part of the Island and I would think could be an opportunity for growth. We could spend hours and hours saying we will not have this and we will not have that. We have got this list now and we have got to get on and do it.

**Deputy St Pier:** Deputy Murray has something to add.

**Deputy Murray:** Just to answer your first question and your second question, which we did not touch on, is the amount that productivity can be improved, either in the economy itself or certainly within Government you will see some of these projects help to achieve that, in theory. AI is another thing that we do not know quite how that is going to impact. It could be a blessing; it could be a curse. We will wait and see.

The other side of things is the list that we have got actually moves. Say, for example, PFOS, which has actually gone up quite substantially, that we are now under pressure from the UK to get that sorted. We put it off and put it off as long as we could but of course that is the problem that some of these actually bubble to the surface for reasons beyond our control and then you have to refocus and reprioritise. That is unfortunate. With such a long list it is inevitable that is actually what we are going to get and I think we are seeing that already.

I take your point, and I think Deputy Trott's answer in terms of housing, is very key because that could actually help a great deal, if we can service it.

**Deputy St Pier:** I am going to move on. My next question actually picks up on this question of capacity and what is realistically achievable and really understanding what can actually be paid for by 2027 and isn't it more realistic to run this right through the entirety of the next Assembly, right until 2029? Would that not be a better, more realistic approach to this portfolio?

**Deputy Trott:** I think what we have said is we are going to have to extend the duration of this portfolio by at least a year and probably longer, in reality, in order for it to be met. It is all about capacity. It is why we can no longer rely, as disappointing as it is to say, on indigenous supply within the construction industry. We need outside intervention and Deputy Murray is better placed to talk about one of these machines, in particular the erection of a construction village that will facilitate that outcome.

**Deputy Murray:** Absolutely. We put this into the original Budget and it was added to, if you recall it was Deputy Taylor, a further village for key workers or however we defined key workers was

385 added. But the construction village can pay for itself insofar as obviously if you are able to unlock  
more housing, or infrastructure is built, however we want it, it is primarily housing I think as we want  
to focus on that.

The concept, really, has come into play quite quickly because we are talking about the import of  
ready made modular pods that people can actually live in for a period of time, transient workers.  
390 What they do require, obviously, is utilities to be available at whatever position that we put them  
in. We have already, as I have already read in today's paper, put out on our tender portal for a  
partner who can perhaps help us to manage that, both potentially in sourcing these pods but also  
managing thereafter, obviously, the occupancy and so forth.

There is no programme at the moment to determine as to what the priority would be as to who  
would have access, etc. We are really trying, at this point in time, to move the dial forward as quickly  
395 as possible because we do see it as a possible way to start to unlock some of the backlog we have  
actually got.

**Deputy St Pier:** Chair, are you happy to, because we did have some questions around the  
construction village? **(The Chair:** Yes.) If we may, we might just diverge onto those for a moment. I  
400 am just curious to understand, I think you may have seen, Deputy Murray, in today's paper, you  
referred to it, there are clear expressions of concern, which I would even articulate as opposition  
from the construction industry, from spokespeople from the Guernsey Construction Forum and the  
Guernsey building trade's Employers' Association.

That seems odd. If the purpose of this is to increase the capacity of the construction sector, they  
405 do not appear to have been consulted with, they say, and they do not appear to be firmly on board  
and are expressing concerns about it. Could somebody comment on that?

**Deputy Trott:** I will lead off. Deputy Murray understands the detail around this greater than I  
but I will give a high-level review and it is this and it will not endear me to many of my friends in  
410 the industry, but you would expect them to say that, wouldn't you? You are talking about  
introducing significant amounts of competition, which is in the best long-term interests of the  
community as a whole and therefore it is understandable and unsurprising that those with the most  
significant interests in this would seek to frustrate and delay this process and the Policy & Resources  
Committee is giving it the priority it deserves and that is why the procurement process has been  
415 accelerated because, I repeat, it is in the best long-term interest of this community that there is  
rapid intervention to alleviate this problem.

You are an intelligent man, Deputy St Pier, you would have come, I am sure, to the same  
conclusions, but I welcome the question, nonetheless. Now, some detail around it from Deputy  
420 Murray.

**Deputy Murray:** I do not think this is a surprise to anyone because clearly this has been  
publicised for quite a while. Obviously, what has now precipitated this is the fact we have now put  
it out to tender. It is really just a very high-level tender at this point in time. We have not been very  
425 specific other than actually indicated to the areas that we are looking to get some help with.

We have also put it into the UK because obviously it is very likely that these will actually be  
imported from the UK, possibly from France but from the UK. We have heard the cry several times  
in various forums that obviously there is a lack of labour, which is obviously frustrating the industry  
and this is a response to that. There is a suggestion, I think, and it is just an assumption that this will  
actually be something for, maybe the States alone will actually manage it. It is quite possibly more  
430 than likely that this will be available for local builders and developers to be able to house as well.

That is very early days as to how we could actually manage that. There is no intention at this  
point to completely exclude locals. We have done this several times before. The Airport is a classic  
example, when we brought in a lot of labour, when labour was actually available to us, when we had  
a particular project to put inside, because the Island certainly could not cope with it in those days  
435 and we are in a very similar situation at the moment. We have got so much building and

infrastructure work to do that we do need to import for labour and the challenge has been of course that a lot of that labour is not as easily available post-Brexit.

All we can do is to try to make the facility available and we will obviously build on the opportunities in terms of operation to that and access to that as we proceed.

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**Deputy Fairclough:** You mentioned specifics, Deputy Murray. Have you been specific about a site or sites?

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**Deputy Murray:** Only in outline at the moment. There are two logical ones just now. One is Le Vrangue or the Les Ozouets Campus, because that has actually available space. That would be a major building project in its own right. The second one is potentially, also, the field to the side of the Coutanchez campus, because once that is released then the whole of the Vrange opportunity there, which has actually been earmarked for housing for some time, would obviously then be available to come forward. So that again would be quite a useful situation. Plus both of those have utility facility and infrastructure already on site. We could be up and running quite quickly from both of those sites.

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**Deputy Fairclough:** Has there been consultation with anyone about those sites?

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**Deputy Murray:** When you say anyone, what does that mean?

**Deputy Fairclough:** Community –

460

**Deputy Murray:** No. These are not carved in stone but from our perspective, looking at available, suitable sites, they would seem to be frontrunners. Again, until we understand the requirements of these pods that might be coming in then another area, potentially for example, could be the Braye du Valle site. If ESS goes through, that we have actually asked for, which obviously at the moment the DPA seem very minded to do, that is going to be released, again there are facilities down there. It was originally for housing, even though this is a sort of five-year plan.

465

There are areas that we can look at to do that but at the moment we have to try to specify something that might be within reach fairly quickly for us.

470

**The Chair:** What timescale, would you imagine, if the construction village is erected, would actually remain for?

**Deputy Murray:** At this point in time we are thinking for a five-year term, once it becomes operational. But again the future is a little bit difficult to prescribe.

475

**The Chair:** And when is the TGI due for completion?

**Deputy Murray:** It is a two-year programme and that is expected, if everybody is agreeable to it, to start probably later this year, to be honest.

480

**The Chair:** So if Les Ozouets was the site, then the TGI in its operational phase and the construction village would co-exist on that site?

485

**Deputy Murray:** Yes, it would. We have actually, obviously, earmarked that. It is the same with the Coutanchez. It is a separate site altogether at the moment so it is not interfering with the current Coutanchez TGI.

**Deputy Fairclough:** I would just like to pick up on something Deputy Trott said in his original answer if that is okay, because I think this is quite an important issue across a number of different

490 projects and that is the fact that he said, and I think you also mentioned this in the States, the  
procurement process has been accelerated for this. How has it been accelerated because there are  
obviously a lot of views on procurement and how well it works, so how have you gone about  
accelerating the procurement process?

495 **Deputy Trott:** It is important to say we are lucky; we are fortunate we have got a very  
professional procurement team but my understanding is it is at the top of the list in terms of the  
effort that the procurement team have given this project. In other words, it would normally have  
had less resource and taken longer but it has had more resource and been accelerated as a  
consequence of that. I think that is correct. I look to my colleagues and the Vice-President has some  
thoughts.

500 **Deputy Soulsby:** The local industry, we are talking about they do not like the idea of this, but it  
is the local industry who told us they cannot get accommodation for the people that they want to  
bring over. So we know we have got that issue anyway. It is right that we have accelerated it and it  
is strange that we are always hearing complaints that the States take so long to do anything and  
we try and do something fast we get told off for that.

505 **Deputy Trott:** It is important to emphasise a sensible question that was asked earlier, from  
Deputy St Pier, about these capital projects. A lot of the effort has to go into enabling works,  
whether that is procurement and establishment of flood defences to enable places such as Leale's  
Yard to become viable, it is things of this nature which have to be done and that is why the priorities  
list is as long as it is because they are, in some cases, inter-dependent.

510 I hope that answers your question on the procurement process. We mean business. That is the  
message here. This cannot go on. This stasis where we are building no more new homes than we  
have on trend over the last few years has to stop and we will do, whether it is the removal of GP11,  
which we are told was a big hindrance, or whether it is the introduction of additional capacity, we  
will do what it takes to alleviate this community of its housing crisis, of that you can be assured.

515 **Deputy St Pier:** I think the responses from Deputy Murray and Deputy Trott do slightly conflict.  
Deputy Trott said the concern for the industry would be increased competition for the local industry,  
which would suggest that this is a facility which is going to allow those who come from the outside  
of the Island, to come in and provide additional capacity as competitors to the local industry.

520 And that may well be the concern in the context of the TGI project, which is contracted to a  
Jersey contractor, so you could understand the local industry seeing this as an additional bung of  
£5 million to enable that project to proceed at pace. Whilst Deputy Murray said we need to respond  
to the request of the local industry and this may be available to them.

525 But you have indicated in your responses that the scope of who may occupy this village has not  
yet been fully locked down, so let me finish, and that of course might include direction from the  
States in relation to the availability for locals who do not have housing. If that were the case, it  
completely changes the nature of the project and its longevity and everything else.

530 As ever, scoping the project at the beginning is a pretty important part of the process and yet  
we are now tendering it without knowing exactly who is going to use it. Is that a fair summary?

**Deputy Murray:** No, I do not think that is really the case at all.

535 **Deputy St Pier:** I did not think you would!

**Deputy Murray:** No. The reality being, obviously, that at some point, clearly, we will have a  
procedure for the occupancy but I do not think it is beyond the bounds of anybody's reason to  
assume that local contractors, local builders at the moment, are already housed. So this is actually  
adding to the stock of housing that is available and if there is an inability at the moment, you

540 mentioned obviously, Rok, which I think is a good example, because being on TEP, I am very much aware that a lot of that subcontractor work has gone to local companies. Not all by any means but Rok have set up a local company they very much want to obviously do what they can.

545 You will be aware obviously that Jersey, at the moment, is somewhat in the doldrums in terms of building at this point in time. So if we can find places to get staff here, under whatever auspices they are, whether it is independent developer or local builder or whether it is a contractor coming in, the requirement is so great that I think we would be foolish not to try to make provision to try to enable that.

**The Chair:** Would it also include the opportunity for established building firms over here to bring in additional tradespeople and house them here?

555 **Deputy Murray:** I think that is very much what it has originally conceived to be able to do. I think the challenge of course is trying to find who gets the priority on something like that, which is why we are looking for a partner to manage both the construction and the occupancy thereafter.

**Deputy Trott:** We have received some mixed messages from the construction industry but I do not think you have heard any mixed messages from the Policy & Resources Committee this morning on this issue. The reason you have not is we do not know which project will be accelerated first. We have got a pretty good idea but we cannot be certain. There is still a number of hurdles that need to be gone through but what we do know is that we have had the occasional, I will not put it any more strongly than that, the occasional mixed message from the industry, GP11 is an example.

560 We were told by people in the States and also who were active within the industry that the removal of GP11 would see an immediate response. Many months on, we have seen nothing to suggest that that has come to fruition. So, what we are saying here is it depends on who wins the tender, who gets to have access to this construction village, whether it is local or overseas. But the evidence would suggest that it is more likely to be capacity off-Island rather than on-Island.

565 That is an uncomfortable truth but somebody has to say it and that is the message we are giving. Everyone, we will treat it equally, which is what happens in a procurement process. However the behaviours, the actions in recent years, suggest an additional capacity would drive some of these projects forward.

**The Chair:** Thank you. Deputy Fairclough, would you like to pick up the questioning?

575 **Deputy Fairclough:** We have talked about procurement and obviously there were some issues with the Hospital modernisation project. Could I ask the Committee whether the recommendations of the Thornton Review have been fully implemented on all large-scale Government capital projects?

580 **Deputy Murray:** Yes indeed. One of the key outcomes from there was the introduction of a manual, which we have actually now created. It is online. It is a portal. It is very readily accessible. It has been tested already, further testing this month and then we expect this quarter it will be rolled out completely.

585 A lot of other things in that report, for example how SROs are engaged and what their responsibilities are, will be determined, all of that has actually been put into place at this point in time. We are also now embracing the NEC form of contract with construction personnel because that clearly has got a lot more capability being managed so you do not get a fright at the end when the costs catch up with you.

590 Very much all of, actually, what is being suggested and was suggested, is already being dealt with and is actually in place at this point in time. Bearing in mind the outcome was not that governance was at fault but to try to ensure we did not find ourselves in a similar situation again,

there were some things that we could do to try to improve people's understanding of their roles and responsibilities and that has actually been undertaken now.

595 **Deputy Fairclough:** So have there been structural changes to the way projects are set up and managed.

600 **Deputy Murray:** One of the things that we are unable to deal with in the very short term, is the shortage of project managers because one of the suggestions in there was that, rather than necessarily looking into a head of a department, when you might have a departmental project that you are dealing with, in time what we would like is people that can actually understand the construction process and be much more *au fait* with what is required there to make sure that it is actually managed and audited all the way through. Clearly, independent areas of Committees that actually have particular needs, once those needs have been described it does not necessarily mean that a very senior person within that department is the best person to take forward a construction project.

605 That has been part of the challenge as well, plus of course you would have a backfill situation if you are tying somebody up on a very large project, like the OHM, or indeed TEP. So I think that was a very good suggestion from them but we do not at this point in time have enough project managers and we have been talking about the extent of the infrastructure projects in front of us and we need to build up that expertise, but in house.

610 **Deputy Fairclough:** Can you confirm the recommendations of the Thornton Review and the SMC Report on Agilsys have been applied to the Electronic Patient Record system, which is a live project?

615 **Deputy Murray:** That is definitely being looked at in far more detail now as a consequence. It is a live project and in fact possibly I suspect part of the rationale for having to put costs up is actually a consequence of us actually having much more of a laser-like focus on what is now required in that. I think you are already going to see but unfortunately it does come at a price because the more you spend in terms of an audit, which is very right and proper to do, it prevents shocks. But at the same time there is a cost of putting that kind of resource behind something but it is necessary to do and we are doing it.

625 **Deputy Fairclough:** So you are suggesting that extra £4 million – off the top of my head –

**Deputy Murray:** I am not saying, at all, that but the fact we have been able to evidence that that is a requirement is part and parcel of the work being done to actually ensure that these projects are costed properly.

630 **Deputy Fairclough:** Mr de Garis, when he was the Head of Public Services, attended a Scrutiny Committee meeting after the publication of the Thornton Report and we were assured that issues around the modernisation capital project were isolated ones and I think that was reflected in comments at the time. Are you confident that is the case?

635 **Deputy Murray:** On OHM2 particularly or ...?

**Deputy Fairclough:** Yes, that it was an isolated problem, this was not something being completed in other projects across the States.

640 **Deputy Soulsby:** The report said it was not systemic issues that led to the issue in that particular instance. The report went on to show where things could be improved. The irony is the processes at the time were very thorough and, you could say, a lot of stuff was done but was it adding value?

645 But what has arisen out of that and the creation of the project manual has enabled people to focus on where the important points are to make sure you get value out of the process, not just that you get process for process' sake.

**Deputy Fairclough:** Okay, thank you.

650 **The Chair:** Six years ago, we had the Hospital Modernisation policy letter, those of you in the previous States will recall. Phase two, well it was called two and three then but it is essentially the same, was set to cost a total of £49 million. By 2023 that had risen to £120 million. Soon after we learned that it was £150 million and, now, I understand it has risen to £179 million and is having to be drastically scaled back, which is essentially not doing the part that was called originally phase three. What is wrong with States' processes that a project can increase in cost by nearly 300% when  
655 inflation in that period has been less than 30%?

**Deputy Soulsby:** I have brought the original policy letter so I could give some background as to how that figure came about. It was always the intention of that Committee, and it says I think in the policy letter, that the successor Committee with phase two – and three – because it was three  
660 phases.

I think what went wrong here and what added to the problem and finding out in a very odd way that the numbers were completely out was because it never went to the States in phase two. If phase two had come the work would have been done properly and you would understand where those differences were. But that first figure was definitely indicative of the time. It was always going to be higher because it was going to happen in the future in the first place and it was very much  
665 scoping these are the sorts of things we would want in phase two.

That all changed when we had phase two and phase three come together. I remember at the Scrutiny hearing that you had with Health at the time and saying on the back of that if there was such a fundamental change in the project, it really should have come back to the States so we would  
670 have been able to get a better understanding of what was going on.

**The Chair:** It is hard to imagine a change so fundamental, given what was needed and the space available, even, that we should have gone from £49 million, which is the cost for phases two and three combined and I accept it was an early estimate, to £179 million. Sure, there would have been  
675 things added in, possibly some things taken out, but the difference is just in such an order of magnitude it really ought to raise a lot of alarm bells but –

**Deputy Soulsby:** I can assure you from our Committee's point of view, we have challenged the figures that have come and Deputy Murray, in particular, it is an area that he is really focused on  
680 and we have questioned and we ended up getting a review done to challenge and see whether things could be brought down. That has made a difference. But I think we do need to see, are some of the elements in there absolutely necessary? Deputy St Pier talking about the Hospital, would it add any extra to growth and the economy and we probably have to think do we need to have the breast unit in there?  
685

**The Chair:** That leads me very neatly into my next question, which is have you as P&R considered commissioning an independent – and I think that is the key – an independent review of the necessity of all of phase two of the Hospital Modernisation Project in the light of these runaway costs. When I say phase two, because they have changed the numbers so often that it looks as though it is almost  
690 designed to confuse, but when I say two, I mean what is now called 2A and 2B, so the remaining work?

695 **Deputy Soulsby:** We have had the review, the value engineering work that brought an independent voice to it, which did make people think what is needed and what is not, which resulted, I think in 2A and 2B.

700 **The Chair:** But did that look into the actual clinical needs with an independent eye, rather than being told by perhaps local medical experts what is actually needed. The independent review, I am thinking, is less about the value engineering of how you build a construction project and more about the actual sort of review on the actual real clinical need for everything that is being done?

705 **Deputy Soulsby:** At the very beginning of the programme, that did happen. An independent person was brought in and I remember going through that process and saying, that is very nice to have but do we need it? I do not know what has happened in the intervening period, whether that has been challenged –

**The Chair:** Maybe things have been added in, which accounts for some of the cost increase.

710 **Deputy Soulsby:** It might be. It is not something that I have seen but we are told the fundamental elements in there do not look different. It might just be what was considered, the size of something or how big something needs to be but I have not seen that.

715 **Deputy Murray:** I do not want to dampen your day but the issue is one of the things that we have been told by HSC is that whilst, from a construction point of view, this is how they see it could be phased, what has not happened yet, that we are aware of, they are going through that process just now, it has not been passed through their clinical governance. Part of the reason that we have got here to build is because obviously the focus has been on what the clinical needs are perceived to be.

720 So, even though the cost has gone even further than we anticipated, hence the requirement to go to two phases on it, it has not been passed through their clinical governance yet to say you can cut that off, or you can do that later. One hopes that it would not get any worse at this point but they also have to go back to the business case because after the rationale before was obviously for the private wing to generate more income, that has had to be curtailed to some extent just to get this within the kind of budget that they require.

725 Unfortunately, at the moment, until we see the new business case, we are not entirely sure what that might entirely look like in terms of its contribution towards the overall costs. The one big elephant in the room with this is that if you are going to require 100, 150 more staff to maintain the larger premises, where are we going to put them? Because there is a cost attached to that as well –

730 **The Chair:** Presumably, how we are going to pay for them?

735 **Deputy Murray:** Well also how we pay for them. But we really need to be working along with that side by side. To some extent on this, you need to be building, if you are not going to do it simultaneously, you almost want to be building the accommodation in advance because at the moment, out of necessity, the HSC has to place bodies all over the Island, which essentially is preventing other industries from having that temporary accommodation available to them so they can grow.

740 It is a kind of chicken and egg but it is a major problem, I do understand what you are saying on that. It is a worry that it has gone up to the extent that it has and an even greater worry that it went even beyond that once we got a separate set of consultants in, who have perhaps arguably got even more experience in this area. As to whether two phases broken as they are at the moment, we are too early to say whether that is the right decision or not.

745 **Deputy Gollop:** Obviously, recruitment and retention in employment is important but one of the bigger questions out there is actually the resilience of the Hospital and the future. I think Deputy Brouard has identified if we did not go ahead with it, we would find the costs would increase in other ways. Actually, an underlying question is how much medical services should be divided, Universal Service Obligation but also on-Island and how much off-Island.

750 We have a model where we tried to do it on-Island. We could work more with Jersey. That is not always easy. But if you started to pare down on the future of the Hospital then we might need more planes to take patients elsewhere and I am not sure there is a public appetite for that.

755 **Deputy St Pier:** In terms of Deputy Soulsby's first response was kind of where it went wrong that it did not come back to the States for approval of phase two. That was a direct result of a decision of the States on the recommendation of P&R at the beginning of this term to effectively delegate the management of the entire capital programme to P&R. In light of the experience, which you have clearly identified as one of the reasons why it has got to the stage it has, will P&R be revising its view on the extent to which delegated authority ought to reside with P&R rather than have projects scrutinised by the States?

760 **Deputy Soulsby:** My point was more about the political judgement. I think knowing the project was changing so much and knowing things were changing and where the costs were going, I think it would have been right to put it to the States in any event. Okay, if things are bobbing along nicely, but when there are clearly things that are changing to a great extent, you want to know that you have got the Assembly behind you.

765 Just to add, talking about the review that was done and the value engineering, that did actually look at the clinical needs and did complement the work that had originally been done to look at those needs in the first place so it has actually been at that level, but Deputy Murray has made very clear the clinical governance work that still is needed for the state that we are in at the moment.

770 **Deputy Trott:** Let me make a couple of observations. We have referred to the project manual and if it is helpful for the Scrutiny Management Committee to see a demonstration of the project manual to understand what it looks like now and how the contents are set out and how it improves navigation and access to guidance, I would be very happy to arrange that for you.

775 The way that accountability is dealt with the senior responsible officers is a key part of this, so they understand exactly what parameters they are working in and I do not think it matters whether that comes under the direct auspices of the Policy & Resources Committee or elsewhere, as long as the expertise exists and the structures are appropriate to enable appropriate delivery.

780 What I will say about the cost of inflation, construction inflation has generally been running at a pace faster than normal retail inflation and that has certainly been the case since COVID. It is normalising slowly but slowly, nonetheless.

785 There is this factor of optimism bias, where human beings are genuinely more optimistic in what they believe something will cost earlier on needs to be taken into account, that is why we now have optimism bias factored into our financial analysis of what a project will cost in order to address that particular factor.

So there are a number of issues. Can it happen again as it happened? It is much less likely to happen if the guidance within the project manual is adhered to and that is where political oversight is essential to make sure that process is undertaken.

790 **The Chair:** Thank you. I think we have got just one more question before we take a break but on the optimism bias thing I certainly recall that being included in capital projects in my first term, which takes us back 10 years. So I do not think it is anything new and I think this project definitely fell within that timescale –

795 **Deputy Trott:** It has become more refined and it is certainly higher these days than it used to be but I take that point, it is not a recent initiative.

**The Chair:** In terms of cost savings, potential cost savings, given that it is highly unlikely that the new Sixth Form Centre will be built any time soon, do you still consider that it is worth spending what I believe is around £1 million to put the foundations in place?  
800

**Deputy Murray:** It is £400,000 at this point in time. At the moment unfortunately, because the States has agreed to two phases, we have to run with that. That is what has been quoted. What I can say is that tomorrow we actually have the TEP programme reporting to us in our papers and I am aware that it is within budget, including obviously the £400,000 for the sixth form.  
805

But the other side of the coin, of course, is we are aware that there is a timeframe on La Mare de Carteret and the longer that goes on the more you will spend on maintenance on a building that is eventually going to be knocked down. One has to look at the trade-offs between the two of them.

810 **Deputy Soulsby:** It was challenged at Committee (**Deputy Murray:** Yes, it was definitely challenged.) but I understand it is not going to be quite as people who would understand the foundations as being and it will be far less, so I think it is best to leave it.

**The Chair:** We will take a short break now, if people would reconvene, say, before 11.10 a.m.  
815 Thank you.

*The Committee adjourned at 11.03 a.m.  
and resumed at 11.10 a.m.*

**The Chair:** Okay, welcome back.  
Deputy St Pier.

820 **Deputy St Pier:** Just a quick question, I think probably directed at the Vice-President, if I may. Four-and-a-half years into the term, do you personally, but also the Committee, still consider that the GWP is the correct model for the prioritisation of States' business or do you see any changes being envisaged for the next term?

825 **Deputy Soulsby:** I am happy to answer that. I think the Chairman and Deputy Murray is leading on that now but I am happy to start it off and I know my colleague will post some very useful comment as well.

We are definitely in a better place than we were at the beginning of the term. You will know very well we had the last term, a very large Policy & Resource Plan, which had everything in it and anybody could justify doing anything because it was always in the Policy & Resource Plan and it did not have any funding linked to it, either.  
830

The idea was to try and bring that together and we started that off and managed to cull quite a few Resolutions and hone it down. But that is a difficult process. It was never the intention to be the final solution when it was first published. It is going to be and has proven to be and will continue to be an iterative process.

835 Yes, I would say there is still far too much in that and I think it is very difficult taking all Committees, in particular, along that journey of understanding. You do not have to fill in absolutely everything and get everything that you want in there to enable things to get done.

I think it has got much better as we have gone along and we have had the three pillars that make it more focused but there is still that need to be aware that you cannot do everything. We talked about optimism bias earlier; I think there is an optimism bias amongst Committees that they can do these things, they want things done, but then you are juggling lots of different plates as the same time as doing business as usual.  
840

I think it has got further to go and I think the next States will need to very soon come back to the Assembly with a revised plan, which for me I personally think it needs to be thinned out quite a lot and the funding honed down better. I do not think it needs to be completely got rid of and start again.

I think that would take a long time and I know the amount of work that needs to go in this time and we really did try to get something to the Assembly really quickly and we did, within months, which in States' terms is better than what was taking over a year to produce. So I think from that point of view it has worked but it is not the finished article at all but I am pleased with the progress that has been made this term

**Deputy St Pier:** Thank you very much. Perhaps in the interests of time, looking forward, could you, Deputy Murray, just articulate your thoughts on how it may differ in the next term?

**Deputy Murray:** I think the lack of funding is going to have a huge effect on this because clearly, half the challenge that we have because of our Committee system is that we are unable to prioritise. The priorities come up individually and then the Assembly will make decisions individually, unfortunately. So when the GWP comes forward and we do all the due diligence that we can, whatever finance is available, whatever, we cannot insist on the priority, we can suggest.

It is the Assembly, ultimately, and I think the comment was made before that we had taken the proposed green paper forward, this is exactly what, we would have had a bunfight because individual Committees have their own particular aspirations that they want to see through, particularly closer to the end of term, it starts to become more acute.

I think the challenge that we have got going forward is that we have to find a way to be able to prioritise because otherwise the alternative is you could end up with the lowest common denominator that everybody will agree on. That is not necessarily good governance, but it is the way our Committee system functions at this point in time.

We have to have a better idea of where we are going and I think that has always been lacking and is what has been lacking for quite some time, what our objective is, as an Island, and for Government to be able to support that we do not have the forum to be able to explore that in any great detail and so we are effectively knee-jerking to the responses that come up from the Committees and they are all very valid. In terms of their own mandates they are all very valid.

But I think, to your earlier question, how do you prioritise a list that is this long, when there are so many people actually looking for support and then you get into political arguments, rather than necessarily what might be the practical realities of what we need to deal with. I mentioned before the OHM2 project, clearly there is a requirement for much of the facilities that they required.

But then if you start to add on the staffing issue, and it is a major problem in terms of the Island context, and they are aware of it, but we are not actually being able to find any way to prioritise in the order that we do those things because our Committee system does not make it possible. But we have a GWP and we can only grow from it but I think, as I said before, the limitation is going to be the lack of funds.

**Deputy St Pier:** Thank you very much.

**Deputy Gollop:** I would add two points to that. I am not a huge fan of all these plans and I have been around the States' Strategic Plan, Government Business Plan and all of these things. But they are useful and it has improved matching the funding and both Bob and Heidi have done magnificent work with it. But I would make two points.

Lyndon, Deputy Trott, said it was important for the candidates and the Islanders to know the big situation and here is a figure and, yes, it is hard to understand and I could be corrected if I am saying this wrong, but it is believed the next States, 2025-29 will have a maximum at the moment of £150 million to deliver its major projects portfolio, with investment demand likely to be more than £1 billion.

895 Now that is a very interesting point and it begs the question that we really do need two things,  
not only the framework of collective in this bubble which reminds me of corporate behaviour.  
Currently I think this is a priority for the first year of the new term to reshape our Machinery of  
Government, to actually get that work done; of which a lot was done this term but it did not quite  
make the cut.

900

**Deputy Murray:** Could I just add one thing, because I think it is really important. Universal  
Entitlement and obviously what we have suggested in the green paper. If we cannot get to a point  
whereby the States does only what the States can do and whatever that costs it costs and we have  
to fund, then clearly we are going to carry on just adding either more bodies or certainly more cost  
905 and we are at a point where if, going back to our very early questions about the GST, if something,  
either GST or something very similar to it, is not brought in, we will be in a far worse state than we  
currently are, as my colleague John has just suggested, because the infrastructure costs alone are  
enormous and at the moment we are struggling to say we will just cut that. At some point that will  
come.

910

**Deputy Fairclough:** And on the subject of meeting funding requirements, if the monies from  
the bond are utilised as plans, how will these funds be repaid? Have these repayments been  
included in your forecasts?

915

**Deputy Trott:** A very good question and there is no one better to answer that than Bethan  
Haines, so if I could ask her.

**Ms Haines:** So, we have actually started using the bond monies, as agreed by the States, so the  
Funding & Investment Plan has allowed for the interest that is payable on the bond, but a notional  
920 repayment on the capital as well because the capital is not paid until the end of the bond period  
but we have allowed, in all of our modelling, for the capital to be repaid as well. So it is not just  
going to be a big shock at the end of the term.

925

**Deputy Fairclough:** So that has been built into all of your projections? Okay, thank you.

**Deputy Trott:** Whilst you decide where to move next, I think what has come across from this  
discussion, importantly, is that there has been, by any international standards, a consistent  
under-investment in our infrastructure over many years. Not just this States, it is the one before and  
indeed the one before that that bears some responsibility and it has to be addressed.

930

Whether we get to it or not, I know not, but that is one of the reasons – there are three or four –  
why Jersey's economy has outperformed ours. Their much more significant investment in their  
economy at public sector level, as well as the private sector level, is one of those factors. But I think  
it has been a very useful discussion.

935

**Deputy St Pier:** Do you mind if I just pick up on a couple of things? There is a logical  
supplementary to that, which is around the provision in the fiscal framework for 2% of GDP to be  
spent on capital projects. Of course that was only inserted by amendment and the advice from  
officers at the time, after extensive research, was actually it was only one-and-a-half was really what  
was viable and deliverable. But that of course makes a £20 million difference to the structural deficit.  
940 Has P&R revised its view or is it simply living within the direction of the States on that particular  
topic irrespective of the advice?

945

**Deputy Trott:** The first thing to say, I will ask the Vice-President to comment on this, but the  
first thing to say is we have consistently under-achieved on that 2% target and as a consequence  
of that aggregate under-achievement, you need to up your game, you need to raise it up, in order

to return to some level of equilibrium, some sort of long-term balance in the way that you spend our infrastructure. That is how I would initially address that question, but how would you answer?

950 **Deputy Soulsby:** Just to say we have tasked the Fiscal Policy Panel to come back and we are expecting a report by the end of this month, I think, specifically to look at whether that percentage makes sense or not.

**The Chair:** That is a general review of the fiscal framework, is it?

955 **Deputy Soulsby:** There is a general review, our undertaking, but that bit is separated.

**Deputy St Pier:** Just very quickly on the bond, again this Assembly dispensed with the previous constraints about the use of the bond for projects with an income stream. Was that the right decision?

960

**Deputy Trott:** I think it is in the balance as to whether it was the right decision. I think it was the expedient decision at the time, but I would have preferred it if the outcome had been slightly different. It is all well and good to rely on inflation to inflate away the cost of this liability and now, once again, I compliment you on your foresight in bringing this before the Assembly, which I recall I supported enthusiastically. Inflation has made a very big part in eroding away this debt. But there is still a capital cost at the end and I think it is being extremely well-managed by the Treasury team in its style and approach. But yes, it has got to be repaid. We must not lose sight of that.

965

**Deputy St Pier:** Thank you.

970

**The Chair:** Having missed the boat earlier this term, in the policy letter you acknowledge that conditions are not favourable for borrowing at the present time. What happens if they do not become favourable?

975 **Deputy Trott:** That is a good question. At some stage we are going to have to bite the bullet and it is ... in fact on Thursday night I was at an event where the Governor of the Bank of England spoke about his or the Monetary Policy Committee's very recent decision, that morning in fact, to lower the base rate. He said that the UK economy, the sterling zone, faces a number of headwinds, not least some difficult messages around inflation.

980 Notwithstanding that, he believes that rates will continue to fall. It may take a little longer for it to fall and therefore the borrowing environment for us, as a jurisdiction, will inevitably improve. But it may take a little longer. That may suit our position.

985 But it is important to remember that at the start of this term, four years ago, there was an extant Resolution that enabled the new Policy & Resources Committee to borrow. At that time interest rates were at historic lows. I am not trying to rely on foresight here; you did not have to be a genius to figure out that was exactly the right time to launch the second bond. The previous States was very comfortable with it. I suspect the new one was as well. But the Policy & Resources Committee of the day chose not to take advantage of that Resolution. I personally think that was a mistake and I suspect most observers would agree with me on that.

990

**The Chair:** Given the uncertainty that has been expressed, surrounding the United States' involvement in the OECD Pillar Two arrangements, how confident are you that we can have any faith in seeing the anticipated £30 million annual income that we have been banking on and that indeed provided the rationale for pressing ahead with the TGI?

995

**Deputy Trott:** I think, from the way I have been briefed, the issue is more to do with Pillar One than it is to do with Pillar Two. The evidence suggests that Pillar Two remains inline to produce the

1000 revenues that we are anticipating. I think there has been some mismanagement around the data  
around whether it is Pillar One or Pillar Two. I think it is Pillar One that is the issue, not two, so I do  
not think it is a matter that we need to be particularly concerned about at this stage. Do you want  
to add to that?

1005 **Ms Haines:** Just to add that the Revenue Service team are doing some more investigation into  
that but of course the US has a separate system, that is called GILTI, I believe, which is what  
everybody had assumed would be in place anyway. They were never expected to participate in Pillar  
Two in the way that we are. So we do not think it is –

**The Chair:** So essentially you remain confident of an income stream of £30 million *per annum*?

1010 **Deputy Trott:** Yes. (**The Chair:** Thank you.) And bizarrely, if interest rates stay a little higher for  
longer, then we anticipate that number has the possibility to creep up rather than creep down. It is  
ironic to interpret in that way. Of course, it is one of the reasons why Jersey's economy is performing  
stronger. I will make this point while I am speaking. That is that they have a larger banking sector,  
1015 a larger deposit base and their banks have taken full advantage of the margins that are available to  
them and that has been reflected very positively in the numbers. The converse happens when  
interest rates start to fall, so it is important we bear that in mind.

**The Chair:** Deputy St Pier.

1020 **Deputy St Pier:** I was just researching the latest US position on Pillar Two, actually. Given the US  
position, noting it can change from hour to hour, there is probably not a great deal of merit in  
pursuing it.

1025 **Deputy Trott:** We rely on executive advice on a matter as technical as this. Or Deputy St Pier's,  
whichever suits!

1030 **Deputy St Pier:** Fundamental Services Review. FSR – found another three letters. The policy  
letter refers to an intention to undertake that. Could you just speak a little bit more about who do  
we think would be doing that? Is it going to be internal or external or a mixture of the two?

**Deputy Trott:** Let us start off with Deputy Soulsby.

1035 **Deputy Soulsby:** We are currently bashing out how to structure that and we will be bringing it  
to the States so they will be able to decide whether they like the idea or not. What we are doing  
now is our own internal considerations. I think there will need to be an element of external. What I  
want is not what ended up with the very beginnings of the FTP when I think Committees did not  
feel that they owned the process. After that, things have changed and we have got more concrete  
results from it.

1040 But it definitely has to be something that Committees, the States, are all part of. Also, actually,  
personally speaking, I think the community needs to be involved in this because this is about what  
we as a Government provide and this is something that was important when we were on Health  
and this is an extension, really, of what we decided and considered at Health last term, with the  
Universal Offer and the work I had hoped to have been seen by now. What is it that Government  
should provide, what is it that it should commission out? What shouldn't it provide? What could be  
1045 subsidised?

That fundamental review of how things are done and we do things the same way because we  
have always done them like that and it is only by, as I have said before, thinking differently, looking  
differently, thinking differently, that we can make real change. It is not about looking at the numbers

1050 first and saying how much money does that cost and cutting it, it is more about if we get the model right, the finances follow. We are turning it around from that spending review to a services review.

**The Chair:** So I take it that is not going to come to the States this term, however, is it?

1055 **Deputy Soulsby:** No, what we envisage will happen, the terms of reference and the costings for it will come to the States because we need the next States to be up and running.

**The Chair:** So we will get a policy on the terms of reference for it?

1060 **Deputy Soulsby:** Yes.

**The Chair:** Thank you.

1065 **Deputy St Pier:** In terms of the internal resource that will be required to support and service that project, presumably that will draw resources away from other priorities, coming back to Deputy Murray's point earlier on the GWP? Or do you envisage the need to recruit additional resources in order to undertake the FSR?

1070 **Deputy Soulsby:** That work is currently ongoing and Boley will be very much part of that, sorting out how best we can do it. You will know that we agreed that a delivery unit and resourcing of that in the Budget and possibly some of the resources in the delivery and innovation unit will be used as part of this process. I am hoping so. Again, it goes back to let us see how we are operating and supporting Committees and making the changes.

1075 **Deputy Trott:** I think it is an important point I am going to make here now. The review will help to define core Government services; services which could be commissioned services and which will be funded through fees and charges; and services which will be stopped. The reason I make that point now is that when we went out to the community last time, and I agree with my friend Deputy Le Tocq that they should be involved again, of course, what came back were a whole load of revenue raising measures, which trumped those where savings could be found.

1080 What we are talking about here, I think Deputy Murray's point earlier, is whether some of these services should remain universal or not. In other words, should everyone get them or should some people not get them because of their income levels? Once again, are we necessarily talking about cuts to services? No, I think we are probably talking about how they are funded and by whom and when. That is an important distinction to make. I do not want the community panicking that suddenly those who are the most vulnerable in our community will see a very inconsiderate States behave in an unpleasant way towards them. That is not what is intended.

1085 But it is important to remember the backdrop and the backdrop is that we already spend less *per capita* on public services than our competitors. Yes, there is waste and inefficiency in an organ as big as the States of Guernsey, it employs 5,000 full-time equivalents, for instance. But it is not riddled with waste and inefficiency, or that number would be very much higher. We deliver public services, generally speaking, quite efficiently.

1095 **Deputy Le Tocq:** I would add it is also a Fundamental Services Review, so it is important that the community has an opportunity to understand, living on a rock, I will say it again, we cannot achieve everything that you would in a much larger jurisdiction. Also, we could do it in different ways. There are some things that we could be doing, maybe even in addition to what we are currently doing, that people would want. But we would need to not just cut and paste from a larger jurisdiction because the risks are different for us.

1100 For example, at the moment, I know that HSC are dealing with some backlog in operations by sending people to the UK for operations that would normally take place here in Guernsey. But in

the future, potentially that could be a commissioned service to some sort of private facility in Guernsey that would bring income and enable some of those things, in addition, to take place here in Guernsey. It needs to be a services review. It needs to look at the way in which we facilitate the services that this community wants.

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**Deputy St Pier:** Can I ask one more supplementary on this? Which is, Deputy Soulsby gave some of the lessons learned from the experience of the FTP as a spending review process, as opposed to a services-driven process, which I think is helpful. The question really, and it is probably actually better directed at the people sitting behind you than it is at the actual politicians, the experiences from the public sector reform process, which was primarily driven at the public services level rather than a political level and what lessons have been learned from that process, which will feed into the FSR process?

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**Deputy Trott:** Is it one I can ask you to give some thought to, Bethan, seeing as you are on the front table with us?

1115

For me, the issue here is there is no doubt that the costs of public services have increased. But they have increased primarily because of our requirement to look after our elderly and sick and we are experiencing a genuine demographic push in that regard. So, when we look at the public sector worker numbers, there are hundreds of additional nurses and care workers. Now I do not hear the community telling me and our Committee that there are too many nurses and care workers. But that is where the thrust and drive of the cost of the public service has primarily, from a staff level, been, and the costs associated with that, whether it is finding appropriate housing for them or simply encouraging them to come and work here have been considerable.

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Bethan, the Public Service Review. Would you like to expand on that?

1125

**Ms Haines:** I think it is fair to say myself and various colleagues have got considerable experience now of multiple different approaches to reviewing the services and the spending of the States. So for the Fundamental Spending Review, the FTP, public service reform, priority based budgeting, all sorts of different reviews. And what we are trying to ensure is that the proposals we are putting forward to advise the Committee take into consideration the lessons learned from all of those, but one of the key learnings is that it has to be a priority and it has to be properly resourced. If we continue to do everything else, we have always done and try to do this as well, then it will fail.

1130

**Deputy Murray:** Guernsey is subscale for just about everything and an illustration of that is that ordinarily you need a population of about a quarter of a million to sustain a hospital. We are 26% of that but people do not expect 26% of the services coming from the Hospital. So we have to find more creative ways and I think the Partnership of Purpose, the clue is in the name, we are going to have to get into much greater partnerships because the level of demand, the range of demand, we do not have that economy of scale and we never will have. So we have to be more creative.

1135

Without a doubt, that is one of the major drivers, as Deputy Trott has just said, of the increase in the public sector, it is actually to support Health.

1140

**Deputy Fairclough:** I have just got a couple of questions on the Revenue Service. States' Members are still receiving emails from members of the community with various tales of woe of their interaction with Revenue Service or Income Tax. There is a theme in these emails of people having to interact with numerous staff before receiving a satisfactory resolution. In the States last week, Deputy Trott, you informed us that the service was fully staffed. Clearly, if a person has to interact with many staff, that is highly inefficient. Is this an issue of which you are aware and, if so, what is being done to resolve it?

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**Deputy Trott:** I am fully aware and Deputy Fairclough will remember that I also talked about a change in the way in which IT was being delivered to updating a 30-year-old legacy system to

1155 ensure a proper risk assessment, so that the right people were assessed quickly and efficiently. I am genuinely of the view, from the information we have seen as a Committee, that the Revenue Service has turned a corner. I made that point in the States and I believed it and I meant it.

1160 You will remember that I also apologised on behalf of the Committee and the Service for the challenges it has faced. Staff retention has been an issue. Recruitment has been an issue but we have turned that corner too, from what I understand. It is a direct report to Bethan and I think we can look across the table and ask her to confirm or deny the comments that I have made but I personally, genuinely believe that we have seen the worst and things should improve and improve speedily. Would that be your view, Bethan?

**Ms Haines:** Yes.

1165 **Deputy Fairclough:** You mentioned the IT aspect. Could you just tell us exactly where you are with regard to the upgrade of the Revenue Service's IT systems, because we know from previous statements that the programme has been delayed by several years and has required additional money to move to completion. Is that upgrade now completed?

1170 **Deputy Trott:** I believe they are no longer deploying the legacy systems. I think they are reliant on the new system. Whether it is fully implemented or not, I will just ask. It is almost there but not quite and that is why we anticipate things would improve and would improve significantly because it is almost there.

1175 **Deputy Soulsby:** Also data transition took place earlier this month. At the end of last year. And everything was pushed forward. The only issue that we found on that was because we tried to minimise the amount of changes to the system so we were not ending up with disparities between the two.

1180 It meant there was a halt on certain elements in relation to repayments and the team were trying to get as many repayments as they could before that. Some are outstanding so that those people had payments delayed until about the 20th, I think, until that could go on. But I think for such a massive system – this is not just Income Tax this is Social Security as well – it would have been on the front page of *The Press* if it had all gone wrong and it did not. So I think a lot of credit to the team that managed that. It is absolutely reliant on getting that system up and running and improving the processes. It is not just about getting the IT in but the IT will enable the processes to be improved.

1185 **Deputy Trott:** In one sentence, it is substantially complete; it has experienced its normal implementation challenges but they have been dealt with.

1190 **The Chair:** Given the churn in the staffing that you expressed existed, presumably that means that a lot of the staff are inexperienced in the way the actual systems and everything work. Is there an adequate training and support programme in place for staff to come up to speed quickly?

1195 **Ms Haines:** That has been part of the Transformation programme to ensure that actually the new systems are more intuitive and easier to use than the old systems, but of course there is a significant training programme because of the intricacies of the Income Tax Law.

1200 **The Chair:** That does really seem the point that Deputy Fairclough made, that really seems to be the biggest issue that comes through to me in people that we have contacting us is that they speak and they explain their entire problem, which is usually lengthy, to one member of staff who at the end says, I cannot really do anything I will get so and so to call you, and this thing goes on. Which obviously is using up a lot of resource where those people could be doing something that

1205 they were comfortable with. That is just an observation from what comes through to us as States' Members.

1210 **Deputy Trott:** I think it is a fair observation. The problem we face is that the very businesses that are responsible for providing professional services to their clients are often the people who offer packages to our staff that are more attractive to them in the private sector than we are able to offer than the public sector. That is not to move away from the fact that the service is now focused on ensuring that the improved technology that we have got, substantially implemented, is used to drive operational improvements and benefits to customers. It is well aware it is falling short in certain areas but it sees a much rosier future.

1215 **Deputy Soulsby:** On that, we have had in the two weeks, three weeks up to the tax deadline, three times as many calls. I think we had 1,900 calls over the last few days and, in those circumstances, it would have been all hands on deck. We were trying to get people to answer all those calls and quite possibly there were people that would not be able to answer some of those calls. It is a fair comment but just to give that position.

1220 **Deputy Trott:** Thousands of people left it to the last 72 hours to submit their return of income form. Regrettably, I did not lead by example. I was one of them, for which I apologise. But it is a fact that even those of us, or those of us that lead busy lives, did leave things until the last minute. But so did thousands and thousands of other citizens. You were going to have that crunch point. It was inevitable.

1225 **Deputy St Pier:** The business case for the new system, of course, was built partly on the redesign of Revenue Service and bringing the two parts of income contributions and taxation together, was of course a smaller head count. Has that been delivered or not?

1230 **Ms Haines:** That was always intended to be delivered after the systems were implemented. So now is the critical time, over the next year, for bedding in those systems and delivering the benefits.

1235 **Deputy St Pier:** But you are still anticipating a reduction in head count?

**Ms Haines:** That is still in the plan.

1240 **Deputy Gollop:** I was one of the late ones, as well, queueing up the stairs, but I was impressed to see an officer from the Revenue Service marshalling us and organising it so that it went well. I went to a drop in, about tax, and I discovered anecdotally that there are less tax assessors than before because, as the point has already been made, the private sector is a very competitive employer for many of our workers. So I think that it should be considered that far from being a fat public sector in the Revenue Service, the opposite is rather true.

1245 **The Chair:** May we go onto question 20 please, Deputy Fairclough.

1250 **Deputy Fairclough:** I would just like to move onto the subject of Agilisys, which as you know has been the subject of a Scrutiny Management Committee review. In your media release, following the publication of the Scrutiny Report, you said the review's recommendations aligned with activity already completed or ongoing. However, the SMC notes that you have no immediate plans to appoint an IT Advisory Board. Do you believe you have the relevant expertise in house to make key decisions on future technology options?

1255 **Deputy Murray:** Absolutely. All of the other recommendations we have either implemented or are implementing at this point in time. On that particular one, I think it is a little early because of all

the changes that we are making at this point in time. I think you can get to the position where there are too many cooks in the kitchen, by having advice being taken from too many sources at this stage. We have got a lot to actually stabilise and make our system robust and we have worked on that and it is far better than it was in the two-year timeframe that the report covers.

1260 But at this stage it is only a year or so since we actually employed Ge Drossaert, behind me, in that central role as digital supremo and he really needs to be able to get through this a little bit longer to be able to establish what other additional help we might need. For example, one of the things that we have done very quickly, that he recognised straight away, was that lack of resource. You will recall one of the key findings that you guys actually had was six individuals, however they  
1265 got to that point that they were described as being sufficient, was way below what we needed and we are now up to a complement of about 20.

I think we have one or two vacancies, still, and I think your own report suggested 25 would be a more suitable number obviously to be managing that. So we are at that point where we are still developing and becoming more robust than we have been. At some stage we can get back to that  
1270 requirement because I think that is more industry involvement at some stage because we have got a key role as Government to be able to bring IT and AI is perhaps another area of it, to be able to bring that forward for Guernsey. If we can get it right then I think industry can follow and rely on.

But what will happen, I am quite sure, is if we develop that expertise in-house, as we were talking about the Revenue Service, it will probably be going out the door again because skilled individuals,  
1275 which Government spends a lot of time developing, are very much prized by the private sector.

**Deputy Fairclough:** You referred to the recommendation on the need for substantial additional investment. How much more money do you believe will need to be spent annually on additional revenue and in capital over the next five years to improve IT systems moving forward and is that  
1280 money available? Has it been earmarked.

**Deputy Murray:** Yes, there is some money that has been earmarked at the moment but, if I may say, there is a change occurring between CapEx and OpEx, because moving to the cloud requires you to actually buy seats, essentially, to put it more simplistically, as opposed to investing in kit,  
1285 which you then run on premises, as is required, and we have seen that with MyGov. So we have revisited MyGov and what we are looking at the moment is probably around £5 million CapEx expenditure to put in place the platform that we require and the partner that we require.

But it actually starts moving towards £1.3 million add on to OpEx because obviously it is largely a cloud-based solution. So the nature of the IT system is actually going to change and the  
1290 investment will probably change as a consequence.

One final thing that I would say that is really important to grasp is hitherto, and I think one of the reasons that we have always been challenged with IT, is that we have tried to customise whatever source we actually are taking or whatever application it was, and some of them were very heavily changed and customised, and that was one of the prime reasons, unfortunately, that because they  
1295 were not sufficiently documented many years ago, that we were not entirely sure and Agilisys was not entirely sure – in fact, I do not think any of the tendering companies were – of the state of our legacy system.

What we have now decided and what we have recognised and certainly though Ge's involvement is that we actually have to adapt our processes to what the technology is providing, because the  
1300 technology is always evolving and, rather than us trying to heavily customise it and make it very personal, to what we need, I think we have to adapt to what the world is doing and actually that way we can always rely on the technology is up to speed and is as secure as possible and security is really key. Because the more you customise, the more the likelihood is that you leave a trap door open, unconsciously, and we cannot have our systems go down as a consequence of an attack. So  
1305 cyber security is probably going to be quite a large part of what we are investing in in the future.

**Deputy Fairclough:** I appreciate you are on a journey and it is probably a never-ending journey in terms of IT strategy and development, but you have stated that a new IT Strategy will be published shortly. When will that happen?

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**Deputy Murray:** Well, we do have the Digital Strategy that we actually have at this point in time and we are in the process of actually promoting that within the organisation just now. It is already available. We have talked to industry; we have explained to them what we are doing in that regard. Again, very much something that Ge has actually introduced and the various component parts and there are about seven pillars that we actually have in there and we are working our way through all of those. Again, I think if Government is a robust IT provider, I think industry can rely on that because our interaction with industry is also going to be very much driven by IT.

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**Deputy Fairclough:** Okay.

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**Deputy Trott:** Can I make a very quick comment and that is to thank the SMC for the professional manner in which you have handled this scrutiny into the Agilisys contract and for the mature way in which you engaged with us. In my view it was the States, under our current system of Government, working at its best. So well done to you.

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**The Chair:** Deputy St Pier.

**Deputy St Pier:** Yes, focusing on growth. We have spoken a little bit; you have already referenced Jersey growing faster than Guernsey; that has been reported recently. The challenges around revenue and services, of course would be an awful lot easier if we had a lot more growth, feeding through to our revenues. So, really, just a quick view on the role of growth in solving our financial issues and what we, what Government should be doing about it, what you are doing about it, how that interacts with the role of the Committee for Economic Development? Is it fit for purpose in terms of that economic development challenge or not? So, it is quite a wide-ranging question so again, just in the interests of time, if you can keep it relatively tight.

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**Deputy Gollop:** I will address it by returning to the issue of the day and that is the issue of Moneyval, as I know you know, Deputy St Pier, 40% of our domestic economy is driven by financial services. It would have been a very bleak picture had we been put on the grey list. I never felt that we would find ourselves on a grey list but there is no question that our economy would have contracted had it found itself on a grey list, for the duration of the time we were on it.

1340

We are not on it, so the future is positive. But if we are to replicate levels of Jersey growth, we have got to get that infrastructure investment right and it has got to be material. We are not reinventing the wheel here, all of the international advisers come to the same conclusion, whether it is our own fiscal panel or those who are employed in the supernational entities.

1345

Clearly productivity is important. I am one who falls into the category of having personal business interests and I think we are less productive when we are working from home than when we are working at the office, but the international data suggests otherwise. I find that a contrarian to my thinking. But I think we have got to get all of these things right.

1350

I do not think we need to worry too much about tax. We are still, under the OECD measure, a very low tax jurisdiction. We are a very low tax jurisdiction, even after the proposed rises of income, we will not look in any way out of place as a low tax jurisdiction. In fact, there would be very material differences between us and our nearest geographical neighbours, Jersey excluded.

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So personally I think the future is bright. I think that our growth rates will improve but I think that investment is absolutely paramount. Investment is more important than the percentage that we tax our community. That is a fact. We cannot go on with these levels of tax take, it is insufficient.

1360 **Deputy Soulsby:** Can I just add to that. We are talking about productivity and participation in work and that is something the Committee has completed the stage one on looking at the reasons for why people are not participating in work, what are the barriers. We have engaged with various Committees, including Economic Development, of course, Education, Sport & Culture, ESS and externally, I think.

1365 Stage one has been interesting, I think, the findings from that. It will be published as part of the Government Work Plan end of term report, so people can see reasons for people not participating, what barriers there are. Some things will not be a surprise and areas where people will say why do we need external people to do that, we knew it. But in other areas it has been very interesting.

1370 The original reason why we are doing this is because of a potential amendment Deputy Kazantseva-Miller and myself are looking at laying to have this looked at because we thought that there was definitely an issue here, particularly when it came to the pre-school, childminding, nursery stage, for people being able to get back into work, the cost of it, the availability. The research that we did at that time showed a wider problem; it was not just about that access; it was the issues that industry was facing.

1375 On the back of that, we have had the stage one work that was done. There will be more work and we will get more data coming out of the secondary pensions project, because that will get more data on part-time working as well. Stage one has been done, stage two will be coming along later.

1380 **Deputy Trott:** Following on with that, you asked how we work with the EDC. The answer is we work well with them. They kept us, for instance, fully updated with regards the contract on the ferry, which was important for a number of reasons. I do not think their budget is big enough. I would like them to have more, personally. I think it is important that they seed fund some of these initiatives that are marginal, at best, due to our economies of scale, but the funds simply are not available for that to happen. But the overall picture is that we work positively with them.

1385 **Deputy Murray:** Can I just add one more thing, because there is one area that we will be looking at and that is the cost of energy. Because the cost of energy has a massive impact on all economies, ultimately, including some going in one direction at the moment, except perhaps in the US, who obviously have one of the world's major oil and gas exporters now through shale. I am not entirely sure that actually the UK is ever going to go down that particular route. But growth is actually underpinned by energy costs and energy availability. It really is.

1390 Unfortunately, we have been shielded to some extent with what has happened throughout the western world and Europe because of our contractual relationship that we have with EDF. That will not stay at the same level. We did extremely well, foresight was fantastic, to be able to do that, but we are already in negotiations there and they will not negotiate on the same level, not even just the price but actually the same arrangement.

1395 **Deputy Trott:** And on that point it is hoped and believed that the wind farm States' Report will come before the Assembly this term. We are very much hoping. And for the next decade, if we play it right, it is extremely positive for both our revenues and for our long-term growth. But there are lots of ifs and buts in that but it is certainly a bright spot on the horizon for us to take some comfort from.

1405 **The Chair:** Thank you. I have two more questions before we can allow you to attend your lunch date, Deputy Trott. In the Budget, there was recommendation for an innovation and delivery unit. Does the establishment of such a body indicate that we have not been focused on either innovation or delivery in the past, sufficiently, and what progress have you made on this?

**Deputy Trott:** I think what it shows is just how chronically under-resourced we actually are. I think the general belief is that we are full of people with their feet on their desk and swigging tea and that is simply not the truth. That is not the reality. The Innovation and Delivery Unit is I think an

1410 excellent initiative. It was very pleasing that the States supported it so enthusiastically because it will enable us to have a fast reaction squad, if you like, a group of people who can be deployed swiftly to help drive key initiatives forward.

I am conscious of the fact that the new Chief Executive has not commented yet. (**The Chair:** I think this might be the ideal question.) I think it is the perfect opportunity.

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**Mr Smillie:** I think, in brief, going to the Government Work Plan, which I think is a good document, there is a strong emphasis there on, I guess capital expenditure and affordability. There is maybe less of a correlation to resources, which often, from my early review, seems to be at the crux of why things take longer than they should otherwise or might do.

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The organisation as a whole is full of good ideas. It is a workforce that is very much up for change, up for doing things differently, and I have been inundated with ideas from people over the last months, so some support in helping turn those ideas into reality is a very sensible investment.

**The Chair:** Thank you. One more question, which would probably come under the heading of 'and finally'. The Vallette Bathing Pools are used by thousands of locals and visitors alike each year.

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**Deputy Trott:** You are going to dive into that, are you?

**The Chair:** I certainly am! The redevelopment of the café and changing rooms has been an outstanding success but the pools leak badly. The ladies' and gents' pools lose around a quarter of the water between tides and the children's pool is empty for four or five days each fortnight over neap tides. As a result of the diving pool issue, many offers of assistance have already come in from our community. Will P&R use their delegated authority to match fund public contributions, pound for pound, in order to finally finish the restoration of these much-loved historic pools?

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**Deputy Trott:** If only we did not have a deficit. I will remind you that last year our revenue deficit was around £20 million. We think we have a chance of breaking even or thereabouts this year in terms of a revenue figure but we still will have this structural deficit. I think we would love to match this funding but I think it is unrealistic to expect us to do it any time soon.

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What I will promise is that I will make a personal donation that will help the cause and it is important to remember that the Policy & Resources Committee was not involved at any time during this process. It was an independent statutory official and my understanding is that those Committees that were involved with that got together and addressed the community's concerns to their commendation.

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**Deputy Soulsby:** Could I just say, though, it depends on the figure. One thing we did do this time around in the Budget is treat routine capital differently. We have renamed what was minor capital to routine capital. Also, instead of previously allocating all of the routine capital to various different elements we put, I think it was £25 million as a separate sum within that, to deal with unforeseen events that might be spent more in one area than another.

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It would be for Environment & Infrastructure to come back and say this is the work we believe needs to be done and this is what we are planning to do. We can look at it but it might be potentially something from routine capital. But we have to wait and see –

**The Chair:** That is a much more encouraging answer, Deputy Soulsby. I think, as I understand, Environment & Infrastructure have no specific budget for the pools, even though the maintenance falls under their remit and I think they have asked P&R, over the course of this term, about this.

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**Deputy Soulsby:** It is certainly not from this Committee.

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**The Chair:** Deputy Trott, you would like the final word.

**Deputy Trott:** I would just like to say thank you very much for having us. I gave a personal opinion just before and not a Committee one but the harsh realities of our financial position must not be forgotten.

1465 I think we should celebrate the fantastic Moneyval evaluation that we announced this morning, or the industry has announced this morning. It was absolutely superb. I think if we get our fiscal position right, I think the future for Guernsey is very bright and I think this morning's SMC hearing has helped highlight that.

1470 Thank you very much for having us.

**The Chair:** Thank you very much and I thank all the witnesses for attending so that we have improved the public understanding of the work that the Committee and the States do. Thank you to everyone who has come along to listen and to all of those on the livestream and the hearing is now closed.

1475 Thank you.

*The Committee adjourned at 12.04 p.m.*