



OFFICIAL REPORT

OF THE

STATES OF GUERNSEY

SCRUTINY MANAGEMENT

COMMITTEE

Government Work Plan Scrutiny Panel -
Policy & Resources Committee
Public Hearing

HANSARD

**Harry Bound Room, Les Cotils, Guernsey,
Tuesday, 21st March 2023**

No. 2/2023

*Further information relating to the Scrutiny Management Committee
can be found on the official States of Guernsey website at 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

Procedural – Remit of the Committee3

EVIDENCE OF Deputy Peter Ferbrache, President, Policy & Resources Committee; Deputy Mark Helyar, Vice-President, Policy & Resources Committee; Deputies Jonathan Le Tocq and Bob Murray, Members, Policy & Resources Committee; Ms Bethan Haines, Chief Resources Officer; Mr Mark de Garis, Head of the Public Service4

The Committee adjourned at 3.30 p.m. and resumed at 3.35 p.m. 23

The Committee adjourned at 4.31 p.m. 39

Scrutiny Management Committee

Policy & Resources Committee

Public Hearing

*The Committee met at 2.30 p.m.
in Harry Bound Room, Les Cotils*

[DEPUTY BURFORD *in the Chair*]

Procedural – Remit of the Committee

The Chair (Deputy Burford): Good afternoon everybody and welcome to this Scrutiny Management Committee public hearing session with the Policy & Resources Committee. Today we are going to be focusing on many of the issues contained in the Government Work Plan.

I am Deputy Yvonne Burford and with me on the Panel today are the Vice-President of Scrutiny, 5 Deputy Simon Fairclough, and also Deputy Gavin St Pier and the Principal Officer, Mr Mark Huntington.

It will not be possible to cover everything in the wide mandate of Policy & Resources today but in preparing questions, we have attempted to be as wide-ranging as possible, whilst concentrating on issues of significant public interest or where significant sums of money are involved.

10 Following this session, the Scrutiny Management Committee will decide if any further follow-up activity is required. A *Hansard* transcript of the hearing will be published in due course on our website. We do have a lot to get through today; if I could ask panel members to try and be concise in their answers it would be greatly appreciated, and we will take a short break around about half past three.

15 So, if everyone would kindly ensure that mobile phones are set to silent, and I would just ask the panel to introduce themselves. Perhaps if we start at that end with you, Deputy Le Tocq.

Thank you.

EVIDENCE OF

Deputy Peter Ferbrache, President, Policy & Resources Committee;
Deputy Mark Helyar, Vice-President, Policy & Resources Committee;
Deputies Jonathan Le Tocq and Bob Murray, Members, Policy & Resources Committee;
Ms Bethan Haines, Chief Resources Officer;
Mr Mark de Garis, Head of the Public Service

20 **Deputy Le Tocq:** Deputy Jonathan Le Tocq, Member of, obviously, Policy & Resources, and the lead for External Affairs.

Deputy Ferbrache: I am Peter Ferbrache, I am the President of Policy & Resources.

25 **Deputy Helyar:** Mark Helyar. I am the Vice-President and the Treasury lead.

Deputy Murray: Deputy Bob Murray, for my sins, some involvement in GWP.

30 **The Chair:** Right, so without further ado, we will start off with the questions and the first subject we want to come to, which is very topical at the moment, is our relationship with Condor and sea links, basically. Air and sea links are an important workstream in the Government Work Plan. On 8th March, Condor announced it was purchasing an additional ferry, which it hopes to have in service by the autumn to add resilience to its fleet. It was reported recently that the States have invested £20 million in the sale of the Guernsey Investment Fund (GIF) to facilitate this purchase. Is that correct?
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Deputy Ferbrache: Guernsey Investment Fund is an independent entity. It is not controlled by the politicians, and it is looking to invest a significant sum in the purchase of the ferry, vessel, boat, I do not know what the correct terminology is, in relation to that. I do not know if Deputy Helyar wants to add any figures.
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Deputy Helyar: The figure of £20 million is not correct, in terms of infrastructure, I think it is a maximum of £5 million.

45 **The Chair:** Five million for a ferry?

Deputy Helyar: No. The decision about how much to invest, Guernsey Investment Fund cell has more than one shareholder in it so there will be other people committing capital at the same time.

50 **The Chair:** So the amount of public money that has been invested for the purposes of purchasing a ferry or in the infrastructure cell is £5 million?

Deputy Helyar: In the cell, yes, that is correct.

55 **The Chair:** And is there any other public money being invested for the purpose of the purchase of this ferry?

Deputy Helyar: No.

60 **The Chair:** No. Okay.
So what is the target rate of return, which the States are hoping to earn on this investment?

65 **Deputy Helyar:** I cannot answer the question because the paperwork has not been completed yet. That deal, with the GIF, has not been completed and the GIF would need to be asked that question rather than the States.

The Chair: Has the ferry actually been purchased? Has it been signed and money handed over?

70 **Deputy Helyar:** As far as I know, no, it has not.

The Chair: Okay. And you say there are other investors in the sale?

Deputy Helyar: Yes, that is my understanding.

75 **The Chair:** For the purpose of the ferry?

Deputy Helyar: Again, that is a question for the directors of the GIF rather than this Committee.

80 **The Chair:** Does anyone else have any questions on Condor?

Deputy St Pier: Yes, just to push you on the question of the expected return, you must have a view on that because the States will be an investor into a new cell, with cell particulars that will have a target return? So it is not just a matter for the board, it will be a matter for you as an investor, so it is a question that is valid to ask you, what you expect those cell particulars to provide in terms of the objective of that cell.

90 **Deputy Helyar:** Yes, I would expect them to provide that. As far as I am aware, the transaction has not been completed yet so I am not in a position to confirm what that would be. From a States' Investment Board (SIB) perspective, the criterion for investing is changing at the moment because we are in a high inflationary environment. Previously that was set as CPI, which is the rate of inflation, plus four. That is probably too much to expect in the environment that we are in at the moment so that is currently in the process of being reset. But that is a matter for the States' Investment Board, which of course is now independent of the political Committee. I attend those meetings, but I have no vote in them.

95 **Deputy St Pier:** You are right.
So we do not know what the anticipated return is likely to be for the States with that investment?

100 **Deputy Helyar:** I do not at the moment because, as I said, the transaction has not been completed. As far as I am aware, this is a mainly debt-funded play and, as far as I am concerned, that will produce a return. It would also, obviously, produce some kind of strategic benefit for the Island. How you value that is not something that we have sat down and discussed.

105 **Deputy St Pier:** But you would not expect other investors to invest in something that has a strategic return, you would expect to have a commercial –

Deputy Helyar: Absolutely, yes, it must have a return. Yes. The lease arrangements, as I assume they are being made, are not with us, they are with that particular cell or the SPV that goes underneath it. That would have a commercial return built into the lease arrangements.

110 **Deputy St Pier:** So, P&R will actually not have any further involvement in this decision?

Deputy Helyar: As I say, this matter is still, as far I am aware, being discussed at the moment.

115 **Deputy St Pier:** That does not answer the question.

Deputy Helyar: No, because I cannot answer it, I am afraid.

120 **Deputy Ferbrache:** It is not being coy. As Deputy Helyar has said, as far as we are aware, per Policy & Resources, the sale/purchase has not been completed. We will know more when it is completed.

Deputy St Pier: Okay, well rephrasing the question, what further authorities are required from P&R to enable the transaction to complete?

125 **Deputy Ferbrache:** At the moment, the negotiations – it is not negotiations it is more formality than that – the contract as far as we are aware has not been signed, is very much between GIF and Condor.

130 **Deputy St Pier:** Yes, but GIF needs its key stake investor, namely the States of Guernsey, to put up the money, so is that a decision in which P&R will be involved or is that entirely a matter for the SIB, in which you will not have any further involvement? I am trying to understand what oversight you are providing.

135 **Deputy Ferbrache:** If P&R become involved, if P&R has to take an active role, of course that will be disclosed because it is a matter, but what we cannot give is conjecture at 2.30, 2.40, whatever it is today, as to what the position is. As the Chair of Scrutiny has said, it is likely that the sale will be completed, we hope, soon, sale/purchase will be complete soon, and the boat, literally, figuratively and in reality, sail on its way from New Zealand to Guernsey over a period of time to be ready to operate from autumn time.

140 **Deputy St Pier:** I do understand the relationship between whatever vehicle is going to contract to make the ship available. What I am trying to understand is the States' involvement in making a decision to make the funds available. In other words, a decision has yet to be made, as I understand it from the answers you have given, to invest into a new cell. So that decision has not yet been made. Who is making that decision, is it the SIB or is it P&R?

Deputy Helyar: It is P&R.

150 **Deputy St Pier:** So P&R will, at some point, have to make a decision –

Deputy Helyar: We will be forced to make a decision.

155 **Deputy St Pier:** – and you will need to know what the expected return is on that cell in order to make that decision?

Deputy Helyar: Yes, that is right.

160 **Deputy St Pier:** So, at some point, that information will be available, and it will be something that can be passed on in due course?

Deputy Helyar: Yes.

Deputy St Pier: Thank you.

165 **The Chair:** Deputy Fairclough.

Deputy Fairclough: Just in terms of operations, have you been involved, or do you plan to be involved, in negotiating the service schedules themselves in relation to the new vessel or the operation with the addition of the new vessel, to make sure that Guernsey passengers are treated equitably with Jersey; and will the timetable improve for Guernsey customers as a result of this?

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Deputy Ferbrache: I can deal with that. The position is, yes, there will be negotiations or discussions and hopefully we all are aware that the timetable has been criticised in recent months and times and the obvious intent is that, whether it is in relation to this particular boat or generally in connection with Condor and the other parts of its fleet, that the arrangements will be better than they have been.

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Deputy Fairclough: So that will be something that P&R are involved in as opposed to, for example, the Committee for Economic Development?

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Deputy Ferbrache: Clearly, it would be Economic Development as well or instead of. The two Committees that should be involved in that are Economic Development and P&R; and Economic Development, it seems to me, speaking for myself rather than my colleagues, should be a lead in relation to whether the boat comes in at five o'clock on a Thursday or six o'clock on a Tuesday.

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Deputy Fairclough: So have, or will there be, service level agreements entered into with Condor?

Deputy Ferbrache: The intent would be that there would be.

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Deputy Fairclough: And will Condor require taxpayer support, either directly or indirectly, to run the additional vessel and has the States of Guernsey either considered or made any offer to Condor in connection with this?

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Deputy Ferbrache: Over and above the questions that we have just asked from Deputy Burford and Deputy St Pier, no.

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Deputy Fairclough: And as the *Press* reported, last week I think, Condor Ferries' services to the Channel Islands are only guaranteed for the next two summers, after agreement with Jersey entered a wind-down phase. There is some uncertainty, I think it is fair to say, about whether that will be extended. (**Deputy Ferbrache:** Indeed.) Will the States of Guernsey develop its own legal operating agreements with ferry operators such as Condor, rather than extending Jersey's agreements?

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Deputy Ferbrache: Well, Guernsey has never been part of the Jersey agreement, as you are aware. We have had a memorandum of understanding, they have had a formal agreement, which as you rightly say, is in wind-down with another two and a bit years to go before it runs out. Our preferred option is that there is a tripartite agreement between Jersey, Guernsey and the ferry operating company. Clearly, if that were not possible – and we are not saying it is not possible, I hope there are not too many negatives in that statement – then Guernsey would have to seek to enter into a direct relationship with Condor on its own.

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Deputy Fairclough: And how close would you say we are to that, Deputy Ferbrache?

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Deputy Ferbrache: I think we are still a bit away from that. For example, we are in discussion with Jersey. We may, dependent on time and other matters on our agenda, be speaking to colleagues in Jersey some time tomorrow, for example, in relation to Condor and generally. So those discussions continue but we are some distance from, to use my phrase and nobody else's, going it alone.

Deputy Fairclough: Okay, thank you.

220 **The Chair:** I have just got one last question on that. Going back to the Guernsey Investment Fund, you have made it quite clear that that is a separate entity, if you like, with its own decision-making. But, Deputy Ferbrache, you have made it quite clear for over a year now, in fact you first announced it at one of our Scrutiny hearings –

225 **Deputy Ferbrache:** January last year.

The Chair: – of your desire to buy a boat.
If they are totally independent, why has GIF also come up with the idea of buying a boat?

230 **Deputy Ferbrache:** Why have who?

The Chair: The Guernsey Investment Fund also decided –

235 **Deputy Ferbrache:** Because they are in the market for investing and getting a return. I do not think there is anything particularly unusual in relation to that.

The Chair: Is it coincidental or presumably they have been led by the knowledge that the States have an interest in going down that road.

240 **Deputy Ferbrache:** Of course, we would hope that the transaction is completed. I do not think there is any argument or question about that, and we would hope that the Guernsey Investment Fund will proceed to complete it and they will give the details, once we know them, the details of the return etc. as per the questions asked by Deputy St Pier. But again, as I said initially – Deputy Helyar said it and it is a matter of fact and Law anyway – they are independent of the States in the sense that they make their own investment decisions, we cannot say, 'You must invest in buying a boat or an aircraft ...' or anything else.

250 **The Chair:** Okay, thank you.
Deputy St Pier.

Deputy St Pier: Thank you.

Moving on: capital expenditure and the GWP. Obviously, the recent tax debate, one of the Resolutions, number 6, was to require you to review the capital portfolio. Are you effectively interpreting that as a direction to reduce capital spending?

255 **Deputy Ferbrache:** It is to review. The word is to 'review'.

260 It may end up reducing. Of course it may. And we are intending to bring something before the States in July for the States to decide. The States will have all the facts and figures, where we are with various capital projects, what our obligations are and what we think we should be doing and then the States will decide. But review may mean reduce. It does not necessarily mean *ipso facto* that it will be reduced.

Deputy St Pier: Thank you.

265 On the timing, I am glad you have referred to it, because at the meeting that Deputy Soulsby and I attended with P&R, of which three of you were in that meeting, your officers – some of whom are sat behind you – advised at the time that such a review simply could not be undertaken before March 2024, which is why that date went into the amendment that became the Resolution, because of the complexity, the number of projects and so on.

270 You have now advised all Deputies by email, but also you have confirmed it today, the
expectation that this will be debated in July, so I am just trying to reconcile those two and how it is
now possible for you to do it, given your officers were telling us that it was not possible.

275 **Deputy Ferbrache:** We have had to have regard to the reality of the situation. We are in a
situation, because of the decision, or lack of decision, that we all made, that is the 40 Members of
the Assembly, including the three on that side of the table and the four this side of the table, we
had to have regard to what our obligations were, and we went back to the officers and said, 'Can
we shorten that timetable?' In other words, instead of March next year, June/July of this year. The
answers were with lots of hard work, not quite blood but sweat and a few tears, that is what we
have been told is achievable.

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Deputy St Pier: And you are confident, for the record, that by accelerating the timeframe, that
the work will be done properly? In other words, the important thing is that it is done right, not that
it is done quickly.

285 **Deputy Ferbrache:** Of course, I and my colleagues on P&R would not be saying we would be
bringing a policy letter in July if we were not confident that it could be done properly. Whether the
States make proper decisions and sensible decisions, time will have to tell. It did not do so in relation
to the tax debate, let us hope it improves its behaviour in relation to the July debate.

290 **The Chair:** Still on capital spending but moving onto the Hospital. As you are aware, I am sure,
we recently had a hearing with the Committee for Health & Social Care and at that hearing it was
stated that stages two and three of the Hospital modernisation project have been merged and they
are now all called stage two and further that it is HSC's preferred option to continue with that part
of the project in 2024, on completion of stage one, with the same construction company.

295 Deputy Ferbrache, you commented recently that the costs for phases two and three combined
have risen by £15 million. There is going to be quite a few numbers here, but I will try and keep this
straight forward. The budget in the original policy letter for those two phases was originally
£38 million to £49 million. So let us go with the upper band and say £49 million.

300 However, at the recent HSC hearing, we were told that these two phases would in fact cost in
excess of £100 million. So that is an additional £51 million over the highest cost estimate, which
does not tie in with the £15 million you said, but I understand that might have been referred to
something different.

305 So in summary, the total original projected cost for all three phases was between £72 million
and £93 million. What is the total projected cost now for all three phases because the information
provided to us by HSC would seem to indicate that it is somewhere north of £134 million?

310 **Deputy Ferbrache:** I cannot give you the precise figure but the last figure that you have given,
it is north of that higher figure. The figure for what I called phase two, and was phases two and
three merged together, is in excess of £100 million.

The Chair: First of all, you advised that the increase was £15 million but it would appear to be
in excess of £51 million. We do not know how far it goes.

315 **Deputy Ferbrache:** Again, we have seen figures which tell us that it is in excess of £100 million.
I cannot quote from memory that it is £108 million, £110 million, £112 million, but it is in excess of
£100 million. Now we have seen many capital projects, the collective experience of people in this
room and otherwise, where initial costs are going to be X and they end up being X and a half or
two Xs. There are extra costs.

320 I was originally surprised when I saw the lower figure because, just looking at the work, I went to a presentation months and months ago in relation to what I am now calling phase two and it seemed to me that it could not be completed at the lower figure.

The Chair: Where did the figure of £15 million come from?

325 **Deputy Ferbrache:** I cannot remember. I will look around for any assistance. Can I come back?

Deputy Helyar: I think that came from the first review that we saw of phase two, which jumped by £15 million, and it has jumped by significantly more than that.

330 **The Chair:** So it has jumped from its original projected cost by £15 million and that is from the upper bound –

Deputy Helyar: It has jumped more than once.

335 **The Chair:** And then it has jumped subsequently by, in that case, another £36 million, at least, but we do not know. It could be more than that. I know you say there are project overspends but I really do not recall, certainly in the time I have been in the States, that many that have been that magnitude if that is the case.

340 **Deputy Ferbrache:** The point is, in relation to it, that is a project, it is of the capital projects that have yet to be undertaken because phase one is well underway –

The Chair: And that is on budget as well.

345 **Deputy Ferbrache:** – sometime around the summer of 2024 or thereabouts, that and the education project, if I can call it that, I think they are called TEP but we all know what we will be looking at. They are the biggest costs. So we will be looking at those. Everything will be looked at competently and efficiently and in a cost-conscious way, but clearly the higher the costs the more consideration has to be given in relation to those and the figures are what the figures will be but
350 the States will have to consider those and they will be given as accurate a figure as they can be when they consider them in July.

The Chair: So the consideration in July will include costs next to the individual projects?

355 **Deputy Ferbrache:** Yes.

The Chair: Okay, so that kind of leads into my next question as to whether, given the enormous, huge change in cost, which I am sure has come as a surprise to the vast majority of States' Members, let alone the public –

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Deputy Ferbrache: Well, it is not within the control of P&R. We do not go out and get builders to do these things, we get experts to assess these costs and then the individual Committees, for example the Health Committee in this particular case, it would be Education if it was a school project or a further education project, they are very much involved in the day-to-day mechanics of these particular projects and then the figures come to us.

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We do not go out and say to a particular builder or surveyor, 'Tell us what the cost of this will be.' The costs are put to us, and they are £50 million, £80 million or £100 million, depending on what the project is, and then we have to look at them.

370 **The Chair:** Yes, of course. I realise that you do not go out for the tenders but obviously P&R has the purse strings, so it does come back to P&R. I just think that there are questions to be asked, though on how a project can be priced at £49 million as an upper bound and come in in excess of £100 million. I do not think anybody would think that is an unreasonable question.

375 **Deputy Helyar:** I think there was a series of steps here. The first figures we saw were for stage two and they were well under £100 million. Then it jumped because of the confidence limits that are put around it by surveyors, quantity surveyors and so on that are looking at it and then the subsequent jump has been really because of inflation in costs of building since we had inflation rising because building costs have gone up significantly higher than inflation has, and that work is
380 done via P&R but it is done with the Committees that are sourcing the project. So the HSC has its own project managers working on this and you have probably had a look around at the plans for the new wing and what have you, as well, and the work that is going on as well that I did.

Those jumps, they are things that come across our desks, they are not things that we asked to put up. I agree with you completely that it seems fantastical to me that it has almost doubled since we first saw – (**The Chair:** More than doubled.) more than doubled. I think there is a conglomeration of work in there, but it has more than doubled since we first saw it.

The Chair: Do you know, off the top of your head, we have been told it is more than £100 million, do you know what that figure is?

390 **Deputy Helyar:** I think the figure in my head was £120 million but £134 million was just mentioned as well.

The Chair: The £134 million that I mentioned actually included phase one, but we were told
395 phases two and three were in excess of £100 million, so I just wondered how much in excess of £100 million just for those two phases?

Deputy Helyar: I would not want to mislead the Panel but certainly £120 million is the figure that is in my head.

400 **The Chair:** So if we add into phase one, we are looking at £154 million?

Deputy Helyar: Probably.

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

Deputy Fairclough: Could I just jump in with one final question on that?

The Chair: Certainly.

410 **Deputy Fairclough:** Did P&R support the combining of phases two and three? Because when we questioned Health & Social Care about this, they said that obviously those phases had now been combined and there were some advantages in that. Is that a decision that P&R supported?

415 **Deputy Ferbrache:** I think in relation to that, that will be, it seems to me and again it will be a matter for the States in a few months' time, that that kind of project is one that will have to have serious consideration in relation to whether we just complete phase one in 18 months' time or whatever it may be and then realise that we have not got enough money to go and develop whether it is phase two, phase three or whatever, whether it is separated again, I do not think it can be, or
420 whether we just say, 'I am sorry, that is now something that the States cannot afford to develop.'

Deputy Fairclough: So that will be a decision for the States now, in your view?

Deputy Ferbrache: Absolutely.

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The Chair: I think the only follow up I have on that is of course, in times previous when the delegated authority limit with P&R was £2 million or £5 million, these different jumps would have been a lot more visible than they have been because they have not been visible at all. We had the 2019 policy letter with the figures in that and now we have got £150 million as against a total project cost of – what was it? – £93 million as a maximum before.

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So I think that is where the sort of surprise and shock has come on this because we just have not seen all those intermediate stages and the opportunity to ask questions on that.

Deputy Helyar: I understand that, but I am not sure you would have seen them in the past. We have not got to any kind of tender stage –

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The Chair: To any approval.

Deputy Helyar: No. These are the cost estimates which are being done, so they have been going through a QS stage and people are putting confidence limits around things as well because you always have an overspend margin and some more, but those margins are getting larger and larger because of some of the inflationary effects and some of the costs of building.

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The Chair: And just as a general thing, then, this policy letter that you are bringing to the States on capital projects, it is going to have all the estimated costs of the projects and so the States are now going to have the opportunity to vote on those projects, knowing what they will cost the community.

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Deputy Ferbrache: It would be pointless just bringing it and saying it is £400 million or £450 million, whatever the figure may be, £500 million. It will be £10 million for this, £20 million for that, whatever it may be.

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The Chair: I have got a –

Deputy Murray: Could I please, because I understand your concern about the size of these numbers that we are talking about. As I understand it, the HSC phase one, the Hospital phase one, was actually a fixed price.

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The Chair: It was, that was £34 million.

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Deputy Murray: Exactly and it has been delivered on that, which is fantastic.

The Chair: Yes, which is good news.

Deputy Murray: No builder now will work to a fixed price because the inflation component is such an unknown for them, obviously, whereas before they would perhaps take a risk to some extent on that. They are at least going to want to share that risk, obviously, with ourselves, at this stage, and Mark is absolutely right. My experience on TEP for example, Transforming Education Programme.

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Deputy Ferbrache: No builder on any big construction contract at the moment, whether they are developing for the States or a private development, will go into a fixed price contract. They just will not do it because Deputy Helyar referred to building inflation, it is something like 30%. It is

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475 massive. Sometimes a piece of wood that would have cost £1 six months ago is now costing £3. It really is. So they are just not going to commit themselves.

The Chair: Thank you.

480 **Deputy Murray:** The quality assurance that we rely on to validate, will be actually returning with, that is done quite extensively and the rise of inflation in that is considerable, and it is an unknown, unfortunately, because obviously a building project will not take six months, it will take a long time, therefore the degree of inflation is a bit of an unknown quantity. It is also the case that sometimes
485 some of these projects, they may have had an optimism bias built into them originally when they were brought to the States as a policy letter. Some of them have not had inflation on top of that as well. The optimism bias is basically there the closer you get to fruition of the contract, obviously the closer we are to the price that we actually anticipated, but a bias is actually put in to counteract that.

If we go back to things that have been initiated in maybe 2019, for example, 2018, the inflation was not seen as a necessarily large consideration at that stage because it had been stable for some time. Obviously of late it had been quite impossible to predict how bad it can get. That really does
490 help towards these substantial increases in price that we are now reflecting on.

Just to Deputy Fairclough's point, I believe Deputy Brouard's approach in terms of wanting to continue with that process is to do with the fact that they have a builder on board who understands obviously the nature of the requirements.

495 **The Chair:** Yes, that was all explained to us at the hearing, and we understand. Thank you.

On the Alderney Runway capital project, that is a slightly different one to the others that you will be bringing forward because the States have already debated that and made the decision to proceed so I presume that is not going to be included for debate in the same way as perhaps the Hospital and other things?

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Deputy Ferbrache: Yes, it will.

The Chair: It will be?

505 **Deputy Ferbrache:** It will because, when I say no monies have been spent, monies are always spent in the introductory part of any of these things, but no contracts have been signed, so it will. So the States will, in July, because the contract was in three parts really – the Alderney Runway: there was the refurbishment of whatever it was; then there was the work that needed to be carried out to the fire station and the terminal building or the replacement and refurbishment of those; and
510 then there was the extension.

Now we have got the exact costs in the sense that they were in the policy letter. I am not aware at the moment of any variations. I gave an undertaking to the States if there was more than a 10% variation, we would bring it back to the States regardless of this anyway. At the moment I am not aware of any variations; there are not any. Roughly, phases one and two, as I have just mentioned,
515 would cost about £18 million, I think, and phase three, which was the runway extension part was between £5.6 million and £6 million. The whole of it would have to come, how could we say otherwise?

520 **The Chair:** This is what I wanted to clarify with you because it actually had already been debated whether that was going to be taken as a *fait accompli* moving forwards, so –

Deputy Ferbrache: We are not intending to do that.

525 **The Chair:** Pardon the pun but the Alderney Runway project is up in the air still, then?

Deputy Ferbrache: They are at the end of the runway so we hope the decision will be made.

530 **The Chair:** Okay. We are also expecting, while we are talking about very large capital sums, to be debating a policy letter on an extension to Guernsey's runway, in April I believe, that is finally coming forward. Possible cost envelope somewhere between, this is speculative, £60 million and £100 million, I think. Are there any circumstances under which P&R would lend their support to such a project?

535 **Deputy Ferbrache:** I think you have got to ask individually. Let me give my individual view because you and I have had quite a few conversations over the years in relation to that. (**The Chair:** We have indeed.) My current view is that I would not because we are in a different economic timeframe. We have got different and high quality management at Aurigny and also air travel has changed in the sense that – and you may have had the same – I went to presentations by the senior executive, Chief Executive of Aurigny and a question I asked him is what has always concerned me
540 about the length of our runway is that we could be priced out of Gatwick in six, eight, 10 years' time, nobody can give an absolute guarantee. But the very clear advice that he gave to me and others who were at that presentation that I attended was that that is very unlikely because the aircraft that we currently use, the ATRs, are environmentally friendly and obviously that is a big thing for air travel going forward.

545 I can only speak for myself at the moment, I could not see an economic case for the benefit of Guernsey to spend, whether it is £60 million or £80 million or whatever that –

The Chair: Or even £30 million?

550 **Deputy Ferbrache:** Whatever the figure is. If somebody could do it for £5 million perhaps, we could look at that.

The Chair: A quick yes or no from the other three panel Members on Deputy Ferbrache's invite for you to comment separately.
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Deputy Murray: I think it is debatable whether it was ever going to be feasible, at the ultimate end of the day, and I think as has just been alluded to, the change in circumstances, both in terms of what COVID has done to air travel, for example, at this point in time, and also the fact that, having had the assurance from the chief of Aurigny it is highly unlikely because there is a second airport and a second runway going into Gatwick, that they would want to turn down any business at this point in time and we can see going forward. So it is very unlikely that we would need to do it strategically at this stage. If there is not a good business case for it then I am afraid I would not support it.
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565 **The Chair:** Thank you. Deputy Helyar.

Deputy Helyar: One of the things I learned from the Alderney Runway debate was there is an awful lot of aviation experts out there and they all disagree with one another, fervently, on the same subject. I cannot see in the current economic environment, that we can support that kind of expenditure.
570

The Chair: And, Deputy Le Tocq, for good measure?

575 **Deputy Le Tocq:** No.

The Chair: Thank you. Those are the kinds of answers we need. Okay, Deputy Fairclough.

580 **Deputy Fairclough:** Just continuing with this theme of the current financial climate and decisions that have been made and whether or not individual projects might now be up for debate about their future when we come to the debate in July. Can we still – and again you might all have different views on this – justify building a new Sixth Form Centre, when we already have a perfectly serviceable modern one less than half a mile away from the proposed new build?

585 **Deputy Murray:** I think I will have to take issue with you saying that you have got a purpose-built Sixth Form Centre. You do not. You have an extension to a Grammar School, which relies on somewhere between 40% and 60% of the capacity that is in the actual existing school to be able to service that sixth form. So you are not talking like for like.

590 If you are actually looking to be able to deliver a Sixth Form Centre, then clearly a separate Sixth Form Centre can actually do that but at the moment what you are suggesting is that we can replicate a Sixth Form Centre to standalone within the confines of what there currently is and that is not possible. You can only operate the Sixth Form Centre in an 11-18 environment, which is actually what we have currently got there, which is effectively the old Grammar School.

595 So you cannot deliver a mixed ability, 11-16, or even 11-18, within the confines of one building. It is not going to be feasible or possible.

Deputy Fairclough: Do any other Members of P&R have a view on that or indeed whether or not the decision to proceed with this will be revisited as part of the July debate?

600 **Deputy Helyar:** It has to be revisited as part of that debate because it is the second largest one on the list, really, unless the Airport is approved, which I think there is a vanishingly small chance of that happening. One of the options that the States will have as part of that debate is not to cancel things but to phase them. In other words, not to spend all of the money now.

605 As we stand with the Government Work Plan, there is a great big, effectively, cheque to be written for all of the capital projects that are in the list and one of the ways to smooth out that is not to do them all at the same time. So what we are going to have to do, probably, is prioritise them, and where we can, to save money by perhaps doing them in a different way and, if necessary, to borrow to build.

610 **Deputy Le Tocq:** Can I just add to that a slightly more nuanced, but with everything Deputy Helyar said, and I think we need to be careful it is not just about funding, it is about the capacity within our construction industry and whether we bring any construction firms over here and where on earth we would house them, etc. So it is far more complicated than it might seem.

615 Secondly, and it sort of touches on, I think, some of the issues about the Airport. I know I answered very briefly then but I think it is a good example because I do travel a lot, a lot of that sort of economy is still changing. I think the President said travel has changed, air travel has changed. I think it is still changing. So I think we need to be very careful before we rush into doing lots of things at this juncture before we properly review. That debate in July will be very important for us all in terms of signalling what we can and cannot do and how we should do it.

620 **The Chair:** Of course, they have different effects on the community. Nobody is really going to be too troubled if the runway is not extended in Guernsey. It is not really an expectation, I do not think, whereas if the schools project is up in the air and people do not know what is happening, you know, that affects almost every family in Guernsey. So there are different considerations, would you agree?

625 **Deputy Le Tocq:** I would agree that they have different effects and considerations but also we are not in a place, always, to judge the indirect effects of some of these things on other things. So, for example, the schools, yes, it is pretty obvious that it would have an effect in some way. On the other hand, we have not properly scoped what the alternatives would be if we did not do that.

630 With regards the obvious effect, from my point of view at least, and I speak for myself here, I
would rather be focusing at this stage on ensuring we have secure and resilient sea travel for most
supplies come that way before we look at anything that we might do, whether it is runway or
anything else at the Airport. So I think we need to be absolutely certain of that. It is not just about
635 funding it is about what we can and cannot do and what the priorities are. That is a very important
debate.

Deputy Ferbrache: Yes, but coming back to your question in relation to a Sixth Form Centre, I
am very much influenced by what Deputy Murray, who was Vice-President of Education until
recently, says, but it is a big number. Deputy Helyar has made the point about limiting builders. We
640 might be able to bring builders in from somewhere else to assist, whether it is that project or other
projects. But it is something that the States is going to have to make its mind up on, in relation to
schools, for the reason that you have touched upon. It affects most families, most people in
Guernsey.

645 **Deputy Fairclough:** And are aspects such as the capacity of the building industry, going to be,
as Deputy Le Tocq mentioned, factored in when these decisions are made in July? Is there going to
be evidence to help support Members making the right sort of decisions?

Deputy Ferbrache: Yes. If Members are going to make credible decisions, they must have as
650 much evidence as they can and we would endeavour to provide what we can from the construction
industry as to, we cannot do this for five years, or we can do it next year or we can do it next week
or whatever. But also, there is the opportunity, I am not saying in relation to the school, more
generally, to perhaps bring in builders from somewhere else for some of these projects because,
clearly, at the moment, we are living in the real world in Guernsey, there is only one, now, major
655 building firm in Guernsey that can undertake these projects, it seems to me at the moment at least.
And that is the firm that we have already mentioned are engaged in the Hospital project.

Deputy Fairclough: Yes –

660 **Deputy Le Tocq:** Can I just add to that as well, in terms of we have been here before to some
degree. When I was on the old Treasury & Resources Department nearly 20 years ago, we had an
overheating in the economy and the construction industry, particularly, and we produced an
economic model. It was very simple, but it helped us to look at what was in the pipeline and
particularly the big projects and phase them in a particular way. But I think the intention is, with
665 regard to the forthcoming debate, is to sort of triangulate, in terms of strategic importance and
prioritisation of things, deliverability and affordability.

Deputy Fairclough: Okay, I would just like to ask a couple of questions, just coming back
specifically to the Sixth Form Centre, if I may, and Deputy Murray at our hearing with the ESC last
670 year in your former role of Vice-President of that Committee, you advised Scrutiny the total cost of
secondary education transformation, all in, was £101 million. Do you know what the expected total
budgeted spend to completion is projected to be now?

Deputy Murray: You may have misunderstood. The whole TEP programme, which includes the
675 secondary, I think at that stage was about £105 million at that stage. That also took into account
provision for a primary review, which had not been started and will not be until next term, for
example. This was not all just for secondary, by any means.

So, for example, the Digital Transformation scheme, which was extremely expensive, was part of
that as well. You are not talking about just secondary transformation at that kind of price.

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The Chair: I looked back to the *Hansard* of the hearing, and you said it was just under £101 million, I think it was £100,945 for that TEP programme. (**Deputy Murray:** The programme, yes.) What is the price of that programme now?

685 **Deputy Murray:** I am afraid it is somewhat variable at this point in time because the one that is being worked on ... Well, let me recap to a little extent on that. The Digital Transformation programme, which we thought, I think, we had allowed something like £6 million for has risen substantially beyond that and yet it is an absolutely critical piece, obviously, to be able to bring that to bear.

690 You will be aware, obviously, that the secondary element of that has had to be stopped because clearly, we could not come to a conclusion with the build-up we had and consequently we do not yet know, because we have not gone back out to tender at this stage, what the cost might rise to at this stage.

695 **The Chair:** But you must have an idea, based on building costs and things?

Deputy Murray: All we have got at this stage, if you like, is what our quality assurance people are telling us that it might be. At the moment, the LOC programme could be somewhere between £85 million and £95 million.

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The Chair: And that is up from £43.5 million, is it?

Deputy Murray: No, because that includes the TGI, which was proposed to be funded without inflation and without optimism bias back in 2019, I think it was. I believe it was for a figure of about £24 million. (**The Chair:** Okay.) Which is way out from what it now currently costs, even by combining the two projects together, which actually brings some savings because, obviously, working them together makes a great deal of sense.

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So we do have an audit trail on this, to be perfectly honest, so it can be checked all the way back to both the Resolutions and the amounts that were allocated at the right time. But because they are being run now as a single project, obviously that is for the whole project at this point in time. So that would be the LOC campus element of it. This probably is somewhere between £85 million and £95 million; we believe at this stage. But that has not been tested physically with obviously a provider at this stage, not even the last provider.

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The Chair: Okay. You are absolutely right, there are so many different numbers going back to different times. I recall an approval by the previous States towards the end of the term of £51 million for the TGI so we are obviously quoting lots of different figures here and it is going to get very complicated.

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720 **Deputy Murray:** Yes, whatever point in time you are taking your reference.

The Chair: It is going to get very complicated not just for us but for people listening in, but I think to try and distil it back down, we have the £101 million figure, which you gave at the last hearing. Obviously, as you say, the IT part of that has increased considerably. Do you still have an aggregate figure, or perhaps the Treasurer could help, that was £101 million for TEP, what is it now for TEP, that is actually being budgeted?

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Deputy Murray: I could refer maybe to the States Treasurer because she knows the portfolio across the piece.

730

Ms Haines: It was £128 million.

Deputy Murray: £128 million.

735 **The Chair:** £128 million. Okay, thank you very much,

Deputy Fairclough: So what you are saying is you have not yet been out to tender for that?

740 **Deputy Murray:** That would be the next stage. Obviously, we have had to reassess where we were as we split company with the last contractor and I think that is imminent, to be perfectly honest at this point in time.

745 **Deputy St Pier:** I think, given the number of numbers that have been bandied around, and given you have said you have got the audit trail, I think it would be quite helpful for that to be provided to the Scrutiny Management Committee, perhaps after the Meeting, just so we can follow it through.

Deputy Murray: Yes.

750 **Deputy St Pier:** Thank you.

Deputy Fairclough: On infrastructure spending generally, do you foresee, does the Committee foresee that substantial long-term borrowing is inevitable in order to achieve the vital upgrading needed to infrastructure across the Island?

755 **Deputy Ferbrache:** Do you want to bat off, Mark? I have got views on that.

Deputy Helyar: Well the answer is it depends, doesn't it? You have to repay borrowing and to repay borrowing you have to have adequate revenue. The situation has not changed from before we had the tax debate. We are exposed, as an Island, to a demographic that we cannot change. In 760 17 years' time there will be 5,500 more pensioners and there will be fewer people working and over the last decade there were 1,600 fewer people working and 2,500 more pensioners.

That is why we often see this complained about in the *Press* about why Government spending is going up and growth is not. It is the main driver. It is not the only driver, I accept, but it is the main driver for Government spending going up.

765 The whole tax debate was about broadening the base of taxation, not just raising more money, and we are as an Island highly exposed if we continue to just rely on Income Tax. We have seen recently, issues, for example, with a major local bank that has 160 staff across the bank and the trust company in an environment which is not growing at the moment. Also, those employees, for example, pay a lot more tax than your average taxpayer.

770 So the impact of losing those kinds of businesses is very significant on our revenue take. Just growth in an environment where we only raise money through bums on seats and people working and paying Income Tax and Social Security will not work. Businesses making more profits and so on will not necessarily work if they are becoming more productive because they are not employing more people who are paying more tax. So that was the whole reason for it.

775 So borrowing, yes, is one of the options. For example, I think recently we saw ESS saying that they wanted to do some renovation on some of the poorer properties. ESS has the ability to raise rents on its property and it has an income stream from that so that would be one of the things where, for example, we might ask the States to consider borrowing for that specific project because it comes with a revenue stream.

780 But for things like hospitals, unless you add the medical tourism on top and you can guarantee that there would be revenue generated by that or we start to charge more for secondary healthcare, which I think is one of the things we are going to have to look at, including elderly care, then we do not have the revenue to pay for the borrowing. So it is a question of marrying those two things up.

785 I do not think it is inevitable and I would prefer not to do it if we possibly could because we would become a hostage to fortune.

Deputy Fairclough: Do you think, though, we have missed the boat in terms of interest rates rising?

790 **Deputy Helyar:** Irrespective, if we retain a good credit rating, we should be able to borrow effectively as a sovereign entity at a lower rate than the man on the street so we would still be in a more advantageous position than a company trying to borrow from the banks. Clearly there is still money there because infrastructure is looking at borrowing for Condor so there must be money out there that is willing to be loaned.

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Deputy Fairclough: And will this be, ultimately, a decision for P&R or the States, as you see it, given the fact that if the States are presented with a wish list of capital projects, come July, and it is decided to go ahead with X, Y and Z; will how those projects be funded be a decision made by the States as part of that debate or not?

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Deputy Ferbrache: In relation to those particular projects, we do not know what X, Y and Z is, that is a fair point. There is money to cover these particular projects at the moment. So it is unlikely you would have to borrow for those particular projects. But the only thing is if you spend all your money, you have got nothing or very little left.

805

To answer your general point, a couple of questions back, to Deputy Helyar, of course borrowing will be considered but you have got to look at the fact that you can only borrow if you realistically can pay back. We are not like the UK because we are not a sovereign state, not a good legal international law point, we are a semi-sovereign state in the sense that we have got certain independent rights and we are independent to a degree. But we are not a completely sovereign state.

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Any credit agency, if we over-borrowed and could not pay back or were paying too high rates of interest, would reflect that in our grading. We could be downgraded. Would we really want to, would we as an Assembly – whether it is this Assembly or the next Assembly – want to saddle future Assemblies with borrowing, the repayment of which was uncertain?

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The Chair: I think there has been, and perhaps unsurprisingly, a change in the tone that I detect because, of course, in the GWP in 2021, P&R were authorised by the States to go out at their own discretion and borrow up to £200 million in long-term borrowing and in fact at the time Budget forecasts were done, going forward for five years or so, showing a figure of about £10 million a year as being a repayment for that borrowing. You are sounding a great deal more cautious now. Would that be true?

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Deputy Ferbrache: The world has changed. I am not aware that anybody foresaw that a mad Russian was going to go and invade Ukraine in February 2022. I am not aware that we thought that the lockdown would continue. I am not aware that we thought that the world would raise interest rates and there would be shortages of products and substances.

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Hindsight is a great gift that nobody in this room or anywhere else possesses. So we are more cautious, yes, as we should be.

830

The Chair: Okay, thank you.

Deputy St Pier: Sorry, can I just pursue a couple of questions on the borrowing?

Of course, the original bond was taken out with quite a number of strings attached to it by the States that it could only be used for projects on lending where there was an income stream. Now of course all of those strings have been removed by the States' Resolution during this term but,

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effectively, Deputy Helyar, you are saying that you only really want to borrow where there is an income stream. There is a little bit of inconsistency between what the States has decided to do during this term, which is to give P&R much more flexibility to effectively pool all of those resources into reserves, to be used however they wish and recognition that going forward you probably only want to borrow if you have got an income stream. Would you like to speak to that for a moment?

Deputy Helyar: The reason I would be reluctant to go further than that is because the States has just made a completely illogical decision where it does not want to resolve the revenue problem that we have, and we have a serious revenue problem. Five and a half thousand pensioners in 17 years, that is the one I am just going to keep saying. Every year it will be one year less. We cannot afford to pay those pensions and we have not got room to house those people in elderly care or anything else that goes with it.

Deputy Ferbrache: We have not addressed SLAWS to any degree. That is a massive cost to the Island of Guernsey, to the Bailiwick of Guernsey, in relation to that, and as Deputy Helyar said, we cannot repeat or rehash the Tax Review debate that we all recently suffered through, but we know already it does not seem to me that certain States' Members have taken any notice of it.

We know that there will be a policy letter brought in late April to sanction £3.5 million worth of extra benefits costs, half a million from revenue and nearly £3 million from something else. I would not be surprised if at least one of the three people on that side of the room put their hands up to that.

We know there has been all the publicity about childcare. Great thing. The cost of childcare that we have asked our officers to estimate, if we went along the UK lines in relation to that, what the additional cost would be, and it is between £8 million and £10 million *per annum*. Now lots of States' Members have put their hands up in relation to that. So we have got to be cautious until the States itself have shown a degree of financial prudence which, I am speaking for myself, now, it has not.

The Chair: Deputy St Pier.

Deputy St Pier: I would say, just Deputy Helyar's observation in relation to the changed circumstances around the bond, I would suggest that is why the States attached those conditions first time around back in 2014, because they recognised the risks around that. In relation to what is left of the bond, as such, it is no longer separately earmarked, is it? Because it formed a part of the General Reserve pot. So if I put the question to you how much is left of the original £330 million that was available to be on-lent to, say, the GHA for further social housing, or to Guernsey Electricity for a cable or whatever else that was originally intended, presumably you cannot give me a number as such?

Deputy Helyar: I could not off the top of my head, but you could probably reconstruct it because most of the investments are still in place that it was invested in anyway, so you could probably track it back. But whether you then report it as a proportion of other capital spent that has been spent or just in the whole, you would have to pick your methodology for that assumption. But the majority of it is still there because we have not spent all of the amount that was in the Government Work Plan originally.

Deputy St Pier: Deputy Ferbrache's response to a previous question is effectively that pool is now available, potentially, to be used for this set of capital projects, most of them will not have an income stream.

Deputy Helyar: That ultimately is the problem, that there is not enough capital activity that has an income stream attached to it by which you could be very confident that we could repay over the capital lifetime, depreciation timeline of a project.

Deputy St Pier: Thank you.

890 The final question that I have in relation to borrowing, perhaps, before we move on, is in relation
to our capacity to borrow, notwithstanding changes in geopolitics and so on. The reality is we do
have a very low debt burden and there is capacity, if a political decision were made, to borrow more.
Quite a lot more could be borrowed and, yes, credit ratings may come into play but of course that
just goes to the price of the debt, not necessarily to the ability to borrow. So again I just want to
put that on record, your knowledge that that capacity is there, and it is a political choice on which
895 the States are likely to be guided, of course by you, as the senior Committee.

Deputy Ferbrache: That is true and of course Deputy Helyar referred to the fact there is money
out there, for using, exemplified by the purchase of the boat, etc. There is money out there. But
ultimately it has got to be repaid and we – the States of Guernsey – have got to be prudent to
900 ensure that over a period of time that money can be repaid.

Deputy Le Tocq: I would further say that actually it is a good job, on the basis of your premise
in the question, that we are cautious and not gung-ho.

905 **Deputy Murray:** For absolute clarity here, of course you can always borrow money, it is the rate
you will borrow it at, which will go higher and higher given your ability to repay. The concern for us
really is the revenue costs are not being we are not generating the additional money that we
would wish. So we can borrow the money, but it would be very expensive to do that and we will
end up passing that on to future Assemblies and generations to pay it back. So you have to have a
910 balance here. Whilst you are saying it is perfectly possible and I agree it is possible, is it advisable?
I think that is a very different question.

Deputy St Pier: And in essence that speaks to Deputy Fairclough's questions about whether the
boat has been missed in terms of the timing to lock-in to very low interest rates. But that question
915 has been answered. Thank you.

Deputy Helyar: I have got a clarification on the previous question that you asked in terms of
the bond. Loans that have been made, £149.4 million, and unallocated, if it was still reported
separately, it would be £180.6 million.
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Deputy St Pier: Deputy Helyar, in particular, you have spoken quite a lot about the drivers for
deficit and demographics and you have mentioned that quite a number of times. Do you think that
that means we ought to be revisiting our retirement age again?

925 **Deputy Helyar:** Yes, I do. Absolutely.

Deputy St Pier: Okay.

The Chair: Both with the speed of the increase and the age? Because at the moment we have
930 got a gradual increase to age 70 by 2049, I think.

Deputy Ferbrache: It is two months *per annum*, isn't it?

The Chair: Yes, until 2049, when we get to age 70.
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Deputy Helyar: I think all western democracies are looking at the same thing. We have just had
the events in France, for example, and they are still a fair way behind us.

940 **Deputy St Pier:** Again, just taking that further, Deputy Helyar you have spoken in the past about potentially the removal or removing access to the States' pensions from wealthier Islanders. Do you still see that as in play and is that, again, distinguishing between your personal view and the Committee view?

945 **Deputy Helyar:** I think that distinguishes a view. I think Deputy Ferbrache is very strongly against that and that is not because of his age, and he might have a personal interest in the outcome! *(Laughter)* Really it is to engender a conversation about benefits and whether everyone should receive them.

I think there is a case to be said for obviously targeting benefits at one end and I know, as Deputy Burford mentioned recently, a unilateral benefit can be clawed back in terms of the tax structure and everything but of course pensioners do not pay any tax. They would have done had we had a GST but that is water under the bridge.

950 I think one of the elements that is missing at the moment in terms of what we are going to be looking at in the next couple of years, we are looking at costs and we are looking at other revenue streams such as Corporate Tax. The thing that we do not have a Committee for is what services should we be charging people for that we are currently giving people for nothing. Healthcare and elderly care are two of those.

955 Hopefully the work around medical insurance, particularly for people moving to the Island who have not paid into the Social Security system over a long period and therefore not contributed to the infrastructure is one of the elements that hopefully will come good. If it does not then we will have to look at some other charging system. But I think charging for services is an element that we are missing out of what we are looking at, at the moment.

960 **Deputy Fairclough:** Sorry, just to come in on that. Is that something that you are looking to address?

965 **Deputy Helyar:** I think we are looking to encourage Committees where they can charge for services which they are providing at the moment, or charge more for them, and I am not going to give any particular examples because it would set hares running, obviously, I would like Committees to self-originate those ideas. Clearly there is a lot that we are providing for Islanders at the moment which is effectively free of charge, irrespective of your means, and we need to start thinking about how people can contribute towards that because we cannot continue to afford it. When the only other option is to stop a service altogether rather than charge some people for it, I think it would be a better option to charge some people for it.

970 **The Chair:** Before we take a short break, can I just make one other point on the pension age issue. You said that you do think the pension age should perhaps rise further than is already scheduled to do. As the demographics for such a huge driver behind the Tax Review, in the run-up to the Tax Review did you do any modelling on what a change to pension age would do in terms of revenue income?

975 **Deputy Helyar:** I think ESS did do some modelling on that. I cannot recall what the outcome was but I think they have done it generally as part of the original Propositions, which went to the States, so that work has already effectively been done.

980 **The Chair:** Thank you.

985 Okay, we will take a short break now, thank you very much, and if we can reconvene at 25 to four. Thank you.

*The Committee adjourned at 3.30 p.m.
and resumed at 3.35 p.m.*

990 **Deputy St Pier:** Okay just a quick couple of questions, if I may, on Agilisys. Have we got an estimate on what is likely to be spent in the remainder of this term on IT related projects over and above the annual budgeted figure for Agilisys, do you know?

995 **Deputy Ferbrache:** I do not, to hand. I am looking at the Treasurer and she is shaking her head. I know you, Scrutiny, have got a review of Agilisys relatively shortly and our officers are doing as much, giving as much information as they can to assist you in that regard. I think it is a very fair question and obviously if we can provide a more detailed answer, I cannot give you an answer at the moment.

Deputy St Pier: That is fine, thank you.
1000 I am just trying to understand what your expectations are in terms of financial benefits that may be delivered as a result of our investment in IT? Can you add anything to that?

1005 **Deputy Ferbrache:** I think the world, and it is a bit like Deputy Helyar, not rudely, referred to my advanced years just before in relation to the pension that I draw and hopefully will continue to draw, so I am probably the least able to answer IT questions, but the world has moved digitally. The States are providing more and more services online and will continue to do so. So there is that benefit. It is a benefit to the community, which is not always a fiscal or a financial benefit, it is the fact that they can use those services at six o'clock on a Saturday evening when they would have had to use them at 10 o'clock on a Friday morning.

1010 There will be financial benefits, too, but it is clear, and this is not a criticism of the previous Assembly or any previous Assemblies, that not enough money was spent on digital infrastructure over the years. That is a slight exaggeration. Everybody had their own little system and there was nothing joined up and it was the right decision to try and join everything up but it is taking a time and there is a cost involved.

1015 So there is a benefit. I do not know. I look at my colleagues who know more about IT than I do, so Deputy Murray.

1020 **Deputy Murray:** Just to flesh that out a little bit and unfortunately you are asking whether we can define the benefit that might come from that – that is obviously quite difficult to do. It is relatively intangible but to give you an indication of the size of the activity, there is a significant number of programmes ongoing, in fact 114 are either in flight or pre-project; 81 of these are BAU projects and 33 are Transformation, including the electronic patient record and also Transforming Education as well; 29 of the 114 are major capital projects, so it gives you an indication of the extent of IT's involvement in Government activity at this point in time and it is a very stretched resource, unfortunately.

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Deputy St Pier: Thank you very much.

The Chair: Do you have a total figure for IT projects, then, capital projects?

1030 **Deputy Murray:** For capital projects, 29 of the 114 I mentioned are actually major capital requests at this stage.

The Chair: Okay, I will leave that for now. It is too complicated to dig into at that point.

1035 **Deputy Le Tocq:** I just want to give an example to Deputy St Pier's question in the sense that, perhaps sadly, what we do tend to do is focus on when things go wrong, so Revenue Services has

been in the picture, certainly as far as the media, and we are very concerned about those sorts of things.

1040 However, part of the Transformation digitally has enabled, I understand, this year something like 44% of online returns to be automated, basically done very quickly and that is a transformational saving, certainly compared to in the past. So those sorts of things, unfortunately, do not get the highlights that they ought to get and I think I am correct in terms of that sort of figure. I am looking at the Chief Executive. So I think we do need to recognise more of that is necessary so I think we have got to go through this what is effectively a serious culture change and try and take as many people as we can with us.

The Chair: Thank you.

1050 We will move onto affordable housing. Obviously a very important topic and one we have spent some time on in the Assembly. The States' Strategic Needs Indicator shows clearly that we are going to need far more affordable housing than previously forecast. Will P&R be significantly increasing the capital allocation available to the affordable housing programme?

1055 **Deputy Ferbrache:** Again, I was one of the Members of the Housing Action Group, with Deputy de Sausmarez. I was the appointed representative from P&R, Deputy de Sausmarez from E&I and obviously Deputy Roffey, who chaired it, from ESS. The States spent public money, somewhere between £32 million and £33 million, in the last 12 months or so on affordable housing land or land that is going to be made available for affordable housing, and some of that will have spades in the ground relatively soon, some of it is longer term. But at least it is land banked to be there.

1060 Frankly, I cannot see that; there may still be some money available, but I think it is like everything else, it will have to take its pecking order in the July debate.

The Chair: So, if funds are not made available, we will fail to meet the affordable housing requirements, then?

1065 **Deputy Ferbrache:** We can only do what we can do. For example, P&R approved, in the last week or two, a significant sum of money towards the development, it has got some French name now, which I cannot remember, but it was the old CI Tyres site in relation to that, so that that development could be processed. So there is still some financial mileage in relation to that, but it is like everything. We do not want to sound like a broken record, but Deputy Helyar has ably made the point both today and previously. We collectively did not make a decision about long-term funding in the debate, which concluded recently.

1070 Now, that means we have got to be, a word that was put to us, that we are going to be more cautious, or a phrase that was put to us that we would be more cautious going forward. I would like to see as much done as we reasonably can in connection with affordable housing. I would like it to go beyond affordable housing because we are looking at a certain section of our community. What we are also not doing is looking at the middle range of the community, who are finding it very difficult to either rent or buy, at any kind of acceptable price or income, property.

1080 One of the things, in preparation for this hearing, I had the DPA quarterly report, the last one for the end of the year. They do their best. They talk proudly that we are going to build somewhere between 97 and 157 houses a year. Well that is pathetic. Because we need far more properties either to rent or buy than that. That is not criticising the builders, that is not criticising anybody, there are finite resources. Other than the financing of the Island generally, the biggest problem that we have got in this community, and we are not unique, but we are Guernsey people trying to do the best for our Guernsey community, is housing. It is too expensive in too many ways.

1085 As I said in a letter that I wrote to the *Press* recently and I am glad they published it – in my views, not those of my colleagues; they can express their own views – if we as the States just do the things in the traditional way that we are going to do, we are not going to make any inroads into our housing crisis. We are going to tread water at best.

1090 **The Chair:** The GHA borrow a considerable amount of their cost of construction because obviously that is borrowing against an asset in a revenue stream. In the past a lot of that has actually been from the bond because it had that revenue stream. Now that there is no longer that limitation on the bond and now that the bond has been subsumed into a General Reserve account, is there still money available for the GHA to borrow from that or from the total reserve for constructing affordable housing?

1095 **Deputy Helyar:** The money is still there so applications can be made to do that. They come through ESS rather than to P&R.

1100 **Deputy Murray:** Can I just make another point on there because we are talking here primarily about providing finance. That does not provide the resource to build it and that is really the key problem that we have got across the piece at this stage, either in the large projects or indeed obviously in the affordable market and private sector.

1105 I think having been on the DPA, we had a meeting for example with the construction industry and what used to happen, and the Airport is probably a classic case, you could go to the UK, and you could bring in, for a period of time, a number of bodies. Since Brexit, Polish builders have gone home and others. We cannot do that anymore. So we do not have that flex in the system anymore and obviously because infrastructure was not something that we did a lot of investment in over several years, the construction industry contracted locally and so we are in that bind whereby we have not got enough local people and our ability to bring people in has also diminished.

1110 So, regardless of whether we can find the money and I think money will be found to whatever extent it is practical for us to do, that does not mean they will get built because we do not have the physical resource to actually do it and that is a major problem for us, as an Island, going forward, because we cannot grow the economy if we cannot bring in people that we can house. You have been through, obviously, with HSC and the difficulties they have got in housing, even if they could get the staff. So it is a major problem for us at this stage.

1115 **The Chair:** Has there been any progress on the potential transfer of social housing stock from the States to the GHA, because that is something you discussed at one of our previous hearings?

1120 **Deputy Ferbrache:** A decision has been made that that is not going to progress.

The Chair: Okay, thank you very much,
Does anyone have any further questions on that?

1125 **Deputy St Pier:** Just returning to the availability of States' funding for construction, clearly if that is not available, because the States decide to allocate it to phase two of the Hospital programme or whatever, then presumably the GHA would need to return to the market, as it did before, which would be more expensive borrowing and therefore that would change the dynamics, the financial dynamics and reduce its capacity? I have got that right, haven't I, in terms of following through?

1130 Yes. Thank you.

1135 **The Chair:** Actually I will just follow up on that about the transfer or non-transfer of the housing stock. Was that basically done on ... what was the reason behind it?

Deputy Ferbrache: Mainly the valuation. The valuation of the stock. It was professionally valued by a quality valuer and the figure that was given, it did not make any sense for a return, amongst other things, as well as the social aspects because we – not P&R but we the States of Guernsey – would have lost a significant income for a not very great capital return.

1140 **The Chair:** Thank you.

Deputy Murray: There other issues attached to that as well, for example the GHA's own staff who do refurbishment and so forth cost twice as much as it does the States to do it. In terms of trying to make a business case for it, it really did not stack up at this point in time, primarily because the valuation was a lot less than we would have expected.

The Chair: Thank you.
Deputy St Pier.

1150 **Deputy St Pier:** Yes, thank you.

Moving back to sort of post-Tax Review series of steps, the Tax Review, the States did unanimously resolve that the long-term financial position of the States was unsustainable – Resolution 1. And that effective steps, effective measures must be implemented in a staged approach and then of course, as you said, they then rejected stage one but approved stage two. So the question is, what is the alternative stage one? Does P&R have a view on that yet?

Deputy Ferbrache: Of course we have not just sat there and said, 'Oh, isn't it terrible?' Well we do think it is terrible but never mind. We realised that we, collectively, have got to come up with some kind of proposals and that will happen in due course. But sitting here today we have not formulated them in any great degree, but we know that that is going to have to happen. I do not know if Mark wants to add anything to that,

Deputy Helyar: No, I would only say that there was a healthy number of States' Members and I think a lot of the public would like to see Government cut its cloth to suit. Whether it is actually possible to do that, given that we have financial pressures caused by demographics and we cannot just make people go away, those 5,500 pensioners are going to turn into pensioners in 17 years' time or 16 years' time now, probably. I have been saying it for a year, or nearly two.

We are going to have to find the revenue to do that or start charging for services or cut services back. Those are the three things that we can do.

Deputy Murray: It also plays into the review of the capital programme because that is the available money we have got. That is a pot, in total. We cannot now just rely on a pipeline of money coming in to replenish that pot and consequently it gives further reason for the capital review to be taken very strategically and to be cut to suit obviously what we can afford to do at this stage.

So, in many respects, the fact that we did not get any actual conclusion to part one, or stage one at this point, does not necessarily mean that we stand still but all the elements that impacts – and the capital programme is one of them – have to be looked at very strategically because we cannot allow the Island to run out of money but in terms of obviously what Mark has just reiterated, we have to look at what else we can do and we are looking at that and we were directed, for example, to look at a £10 million-£16 million saving, which is going to be underway as well. Whether that is deliverable or not or whether the public will accept that or not is another matter.

Deputy Helyar: There is an element of risk, which I think did not come out in the Tax Review, and that relates to our investment portfolio, because it is not widely known, I do not think in the public, but certainly going through the process that we did the beauty parade for a new adviser, over the last two decades, roughly, listed markets and large companies have declined by half, so roughly 50% smaller market and if you want good returns from big companies, you need to be in private equity, which is the type of investment fund which invests in those types of opportunities.

The issue with those kinds of funds is that they are very liquid and normally need to invest over a 10 or 15-year horizon at the minimum in order to get a good return, but those are the areas where you get a good return. Now the estimate that was done for one of the options, and I will not go

into detail because we do not need to go over it all over again, but had we ended up in a position where we do not raise more revenue and we went and spent everything that is in the capital budget, we would end up with £100 million in our General Reserve and £170 million in the investments.

1195 The problem is then you need such liquidity to pay for the project you cannot invest in those long-term returns, so actually it is affecting our ability to invest as much as it is, and it reflects the return that Guernsey is going to get for that money over a long period as well.

1200 The pension fund's superannuation fund is slightly different because that is a discreet pot, and it will remain a discreet pot in the long-term and hopefully we may be able to create a situation where eventually it becomes self-funding because we will get better returns from that type of portfolio. But it looks like, having moved into a new investment advisory structure, we may be limited in what we can invest in by the fact that we have not got the revenue to replenish our capital as we go.

1205 **Deputy St Pier:** Okay, thank you.

I will move onto another Resolution, which was Resolution 8. This was the longer-term vision, so perhaps Deputy Murray would like to respond to this, which of course called for your Committee to work with States' Members but also effective engagement with the community. And so my question is, is that part of it? Do you yet have thoughts on how you plan to engage with the community on developing that longer term vision for the Island and accompanying economic model?

1215 **Deputy Murray:** In actual practice, no. At this stage, what I would say, and perhaps it is my own background, I do not think Government sells itself very well in terms of what it does and what it needs to do, to the general public anyway. We tend to rely on a series of press releases when we have got something to say. What we are not doing is finding a means to engage, really, and I do not see that purely as engagement, that is just bringing people up to date to where we are, so we need to have more of a mechanism, whereby people can actually engage with Committees or Committee Presidents, however it is that we feel it is appropriate for spokespeople for doing that.

1220 Because I think a lot of the myths that became apparent, for example, during the GST debate are myths and we have to address them because they are common myths, they then become 'fact' in people's minds and that unfortunately will colour people's thinking.

1225 They think, for example, that we can just cut the Civil Service and we will be fine. That is ridiculous. It just is ridiculous. But that is a common myth. I think Deputy Roffey refers to these as bar room talk and that is exactly what he is talking about. I think it would be negligent if we did not let people know the extent of the difficulties that we face and what our plans are to try to address that so we have to find a mechanism to be able to do that.

1230 Thus far, what I am looking at and in conversation with a couple of Members, who feel that they would like to contribute their services, we may look at three scenarios in terms of that vision, because it has got to filter down to an economic strategy, ultimately, but we need to know what that economic strategy wants to deliver and we have got two meetings set up, one this week, one tomorrow in fact, one next week, with local economists, to get their input into this.

1235 So we have to start off with trying to put that frame around what the vision potentially needs to look like before we start talking to the public, because I think if we do it too early it will set hares running in all sorts of directions, which would not be appropriate.

The Chair: So following on from that, and I know that you were not part of P&R for the whole period in question, but do you think that P&R engaged adequately with the public during the time between the first and the second Tax Reviews?

1240 **Deputy Murray:** I cannot speak for the time in between, I can only speak for when I was involved, obviously, at that point in time. I think perhaps part of the learning was that this was such a big subject it needed a lot longer time for people to actually understand the ramifications of it. That

1245 does not necessarily mean the outcome would have been any different, unfortunately, because of the strength of feeling about tax, generally, and about GST particularly.

It might have made it more palatable for people because they would acknowledge the realities rather than what is actually being peddled as truth, which in large extent was not the truth, unfortunately. But you can only take a horse to water, ultimately. Tax is probably a very emotive subject whatever at the end of the day.

1250 Therefore, ultimately, when it comes to the crunch, people are going to vote however it will affect them generally but what you can do is you can try to explain ramifications, perhaps, over a longer period of time, so that they can absorb those and look at the consequences of not doing something or doing something and I do not think maybe that we achieved that, unfortunately.

1255 But I do not think engaging with them any further than we did when we had the package – we did not have enough time at that stage but because of the reasons that we know that we needed that package to be either adopted or not, because of actually the implementation schedule that it would require, which as I think you pointed out would be very close to another election – might have actually caused more damage as a consequence if we had actually allowed it to float. So we did our very best but what was driving it was the absolute necessity to increase our income.

1260

The Chair: Okay, thank you.

Deputy St Pier: I appreciate that the composition of the sub-group, sub-committees looking at spending on the one side and tax on the other is a matter for P&R and your decision on that has not yet been advised to Members or the public, but a couple of questions specifically in relation to the tax sub-group, I guess probably for Deputy Helyar.

1265 Obviously, the terms of reference are quite detailed and, Deputy Helyar, you have said that you see the work in the tax group as being particularly focused on the corporate side and as being in the delivery phase, ahead of a policy letter in November. But there are quite a lot of other parts of those terms of reference, paragraphs 2-7, which are not related to corporate and therefore are not in the delivery phase. I am trying to understand how they can be treated as in the delivery phase when we have not done the preliminary work yet.

1270 **Deputy Helyar:** We will receive technical advice about those in due course and if it seems to the Committee when they look at them that that is something that could be ... I think a lot of those items, particularly say for example some of the things about closing loopholes, anti-avoidance revisions and so on, those are things that can be put in budgets. They do not necessarily need to go into another policy letter, that is the case as may be, and your suggestion, some of the local tax advisers can certainly help with that and I have already been in touch with a couple to discuss whether they would like to join it.

1280 Although it is quite difficult, and we do talk about the tax experts and forget that what they do for a living is help people not to pay tax. Nobody goes to a tax adviser so that they can pay more. They do it to make sure that they pay as little as possible.

1285 **Deputy St Pier:** Which makes them ideal if you can.

Deputy Helyar: Yes. They know where the opportunities lie.

1290 **Deputy St Pier:** Which actually segues quite well into the second part of my question, which was although you are not proposing, as I understand it, to have any external tax expertise in that group, you do see that there will be a need for that for parts of the work that you have been directed to do.

1295 **Deputy Helyar:** Absolutely. Some of the technical stuff, particularly in terms of territorial tax, will be vital. Because we need to have an understanding whether things would be approved by the

code group or not, if they were to be suggested. That is valuable work whether we have a territorial tax system now or in five years' time because those things probably will not change over that period.

Deputy St Pier: Okay. Thank you.

1300

The Chair: Do you have any other questions on that section?

Deputy St Pier: No. Not for the moment.
Thank you.

1305

The Chair: Okay, Deputy Fairclough.

Deputy Fairclough: I would just like to focus on property for a moment. Deputy Mahoney is unavailable today, I realise that, but given the importance of the property rationalisation project, I am sure it is regularly discussed by the full Committee so could you give us a brief update on the progress being made with regard to property rationalisation? Telling us specifically, perhaps, what have been the major achievements thus far and what do you intend to achieve in the remaining couple of years of this term.

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Deputy Ferbrache: Let me give you an example because Deputy Mahoney is out of the Island at the moment, that is why he cannot attend, so apologies in relation to that. I will deal with that to a degree, but my colleagues will obviously make such comments as they think are appropriate.

1315

The first round of rationalisation saw the relocation of ESC and Revenue Services out of their respective buildings into both Charles Frossard House and Edward Wheadon and of the two properties, the Grange Road site has now been sold and is being redeveloped, I think probably as you know, as a care facility, and number two Cornet Street is under offer, which if developed – and it still has to go through its planning process – would start the regeneration of South Esplanade as identified in the IDP.

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I would just comment as somebody who has lived in Guernsey, not all my life but most of my life, I wonder what happened to the architects when they developed the South Esplanade all those years, whether they went on holiday for about 10 years because it is one of the most unattractive parts of Guernsey. But anyway, that is the way we are.

1325

The COVID emergency response accelerated the States' ability to work effectively from the two hubs, that is Frossard House and Edward Wheadon House, without service levels being affected. In July 2021, a funding of £1.365 million was approved for the second round of rationalisation and the idea of that was to achieve another £483,000 *per annum* of savings. That was then reduced to £286,000 due to the change in the plans for the disposal of the buildings.

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The total project spend at the end of last year was £686,000 against the original, approved budget of £1.365 million, giving an underspend of £679,000. Now those revised target savings now fall under BAU, which should be achieved by the end of this year, following the conclusion of the lease negotiations for Bulwer Avenue.

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The second round of property rationalisation has delivered, over the last 18 months or so, a number of further – and I am using the terminology I have been given – building exits and alterations. That includes Burnt Lane, the States' Analytical Laboratory, successful exits for both Internal Audit and Scrutiny, paving the way for the creation of new labs for soil testing, plant pathology, etc., prior to their exits from the main building on the Raymond Falla House complex.

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The Raymond Falla House: the main building, there have been successful exits of E&I, Finance, ACLMS, Committee *for* E&I, various other offices have been moved and currently the States' Property Unit has agreed for it to be used at the community centre until February. That has now expired.

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Bulwer Avenue: there has been a successful exit of traffic and highways to Edward T. Wheadon House, the driving test examiners still remain there but it has been agreed in principle that, with

Ferryspeed that will lease the building to repurpose it as an administration block and the intention is to reinstate the driving test examiners once suitable accommodation can be secured.

1350 Customer hub: ahead of the launch of the customer hub at Edward T Wheadon House, significant works took place to create the right environment and a number of moves have been effected and I could give you details of those, but I would be going into the weeds if I gave you too many details in connection with that.

1355 Market building: successful exits have been achieved for both the FTS team and the Committee secretary for Economic Development. The Guernsey Registry remains there until after the MoneyVal compliance project completes, sometime around quarter one or perhaps just after quarter one of 2024.

1360 The old tobacco factory, successful exits have been obtained for both Guernsey Digimap and Cadastre and the lease has now been surrendered. As to the Vauquiedor, Finance has been successfully exited as part of the Financial Transformation Programme, with Procurement and HR to follow next year as part of other programmes and the Legal Aid office at the New Jetty, that lease has now been surrendered and there are various other services and things that have been developed.

1365 So that is where we are in broad brush. I could go into much more detail, but your eyes would glaze over I think if I went into too much detail.

Deputy Fairclough: I appreciate the update and that is quite a lengthy list, obviously. Just picking up on one of them, Raymond Falla House, which I think Children's Services, or some part of Children's Services were due to move into, I think that was delayed because that became a temporary vaccination centre.

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Deputy Ferbrache: Which finished last month.

Deputy Fairclough: Yes. So is the move of Children's Services into Raymond Falla House now imminent?

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Deputy Ferbrache: I think it is. It is any time.

Mr de Garis: We are reviewing it, along with all the other capital projects currently.

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Deputy Ferbrache: You may have heard that. It is being reviewed along with other capital projects.

Deputy Fairclough: Because that potentially frees up some sites including Lukis House, for example, on the Grange, doesn't it?

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Deputy Ferbrache: Lukis House has been on the market for some time to be sold. No reasonable offer or acceptable offer has been put forward.

The Chair: Can I just bring it back to the substantial matters because you are quite right, we are going into the weeds.

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Deputy Ferbrache: I hope I was addressing your question.

Deputy Fairclough: Yes, and that was useful.

1395

Two sites I notice that you did not mention, Deputy Ferbrache, and I appreciate it is difficult because Deputy Mahoney is not here, perhaps, but will the Castel and King Edward VII Hospital sites be developed in this political term and if not why not?

1400 **Deputy Ferbrache:** I think as regards the King Edward, there was talk about a commercial care home provider coming and providing because one thing we are short of is care homes and care home providers and that has been very difficult. I am not sure how far that has developed but I think that is still a possibility, but I am emphasising the word possibility rather than probability. And the Castel Hospital site, again you would have to spend money on that site to make sure it could be developed. For example, to knock down the main building.

1405 **The Chair:** What has happened to Deputy Mahoney's plans for four and five-bedroom houses on the Castel Hospital site?

1410 **Deputy Ferbrache:** I think in relation to that, that is a little bit facetious. Deputy Mahoney was trying to...and I know you have raised that previously –

The Chair: No –

1415 **Deputy Ferbrache:** No, let me just finish. You have asked the question, let me tell you. What we are going to have to do is we, the States of Guernsey, is going to have to rationalise our property portfolio as best we can and that may mean – and I say may mean, I do not know any more than you at the moment because that decision is a long way from being taken and may never be taken – we may have to sell some of our land to a commercial developer at a commercial price for them to build perhaps three or four-bedroom houses. Because it is very difficult to get permission. You can get permission to build five-bedroom social housing. It is very difficult to get permission to build a five-bedroom commercial housing for open market.

I do not mean Open Market in the sense of Open Market people; I mean the normal market. I am not quite sure of the logic of that but that is the planners' logic.

1425 **The Chair:** Okay, shall we move onto the Development Agency?

I will give a little introduction on this just for the benefit of people listening on the timeline because it has been quite spread out over this political term. So, in June 2021, the STSB brought a policy letter to the States with options for future harbour development. An amendment by yourself, Deputy Helyar, replaced the options for the direction to set up a Development Agency to be responsible for delivery of east coast development.

1430 Nine months later, a policy letter on how the Development Agency should be set up was debated. At that Meeting it was also agreed that Policy & Resources would bring back a further policy letter on future harbour options, which one year later we still have not seen and once that had been done the Development & Planning Authority would need a further 18 months to produce the local planning briefs (LPB) for the harbour action areas, which are needed to provide direction for the future development of the ports.

1435 So, with that sort of background to it, my first question is when can we expect to see your policy letter on the future harbour development?

1440 **Deputy Ferbrache:** There will be a policy letter in the next couple of months in relation to who the members of that Development Agency are because it is a matter for the States to approve or otherwise who those particular members are.

The Chair: That was not what I was getting at, sorry.

1445 **Deputy Ferbrache:** I am going to answer your question. So that is the first stage. I, together with Deputy Inder – I as President of P&R, Deputy Inder as President of Economic Development – and Deputy de Sausmarez as President of E&I, attended a meeting just after the open planning meeting recently, with a representative of the DPA, to talk about the two local planning briefs – one for the Bridge, one for St Peter Port – and we were very much urging DPA and we then left the room so

they could make a decision for them to get on with the local planning briefs because there is nothing to stop them getting on with the local planning briefs now because they will take a significant period of time, the procedure in relation to that.

1455 I think the intention would be that it would be a matter for the Development Agency. That is why they are a standalone board or agency, call it whatever we will, to come back with proposals in due course.

The Chair: There is a direction that in March 2022 P&R need to bring back a policy letter on future harbour options.

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Deputy Ferbrache: We will be bringing that back in a certain period. As often happens, it has taken longer than perhaps was intended but I have explained the procedure. The first step is to get the States to decide whether they are going to accept the nominations in relation to the members of the Agency and the States can either accept it or reject it. Without being presumptuous, making the assumption that they accept it, those people have not been sitting around doing nothing, they have been working on ideas, but those ideas would have to be taken forward. I do not know what they are.

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The Chair: So this policy letter is not –

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Deputy Ferbrache: It is not immediate, no.

The Chair: It is not immediate. Did you want to discuss something further? No, that is fine.

1475

So do you think that this policy letter, when we do see it, on the harbour options, that P&R have to bring back to us, will represent any significant or meaningful departure from the original harbour options policy letter that we had in 2021?

Deputy Ferbrache: Well, until we have seen it how do we know? I cannot answer that question meaningfully.

1480

The Chair: Okay. That is fine. Thank you.
Next question.

Deputy St Pier: You have talked about the policy letter to appoint the board members, I think the chair has already been appointed, from memory.

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Deputy Ferbrache: It has still got to be ratified.

Deputy St Pier: Ratified, right.

1490

Deputy Ferbrache: He, together with some other members, the States will either accept those people or reject them.

Deputy St Pier: And from memory the remuneration for the chair was, I think £25,000 a year. Do we know what the other board members will receive?

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Deputy Ferbrache: I am not sure.

Deputy St Pier: Presumably there would be a recommendation in there.

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Deputy Ferbrache: The figures will be disclosed. The people, whoever it is that will be appointed, are not doing it for the financial reward.

1505 **Deputy St Pier:** No. I am quite interested just to explore it a little bit further because obviously there has been a little bit of related controversy in the public domain about non-executive directors of States-owned businesses that earn considerably less than that, for the chair and as directors. Particularly Deputy Helyar, you have expressed a view on this, and I am trying to understand for the Development Agency where those who serve on it will carry no risk whatsoever, compared with the directors who have a fiduciary responsibility as directors of a Guernsey company, and just reconciling what appear to be inconsistent positions from Members of your Committee. You take a view that some NEDs are paid too much whilst actually we need to be paying people over here.

Deputy Helyar: Can I clarify that?

1515 **Deputy St Pier:** Please.

Deputy Helyar: The first thing I would say is do not believe everything that you read in *The Guernsey Press*. I was not asked for any comment before that story was placed. If I had asked a Rule 14 question disclosing what the executives were being paid, it would not have been answered because you have to have the consent of those executives to do that.

1520 I think it is pretty extraordinary that a Treasury rep in a Government does not know what is being spent on a board. So if I see a line item in the Post Office accounts, for example £655,000, the way to find out what the executives are being paid is to ask a question about what the NEDs are paid. The NEDs are not paid an excessive amount. I think it would be wrong to assert that and I think STSB came back and did a very good job of making a case for that.

1525 The question that has not been asked is are the executives of those entities paid too much? Because I think if you go to the GEL accounts, for example, you will find over £1 million is paid to three executives and I personally think that is too much,

Deputy Ferbrache: Can I just answer your question, sorry.

1530 The intention would be that members of the Development Agency would be paid the same as non-voting members of Committees, whatever that figure is.

Deputy St Pier: Thank you. that is helpful. And your clarification is helpful as well, so thank you, Deputy Helyar.

1535 There was also a direction of the Committee to develop a land management transfer policy in consultation with the STSB in order to identify the States' land to be transferred to the Development Agency. How is that going, the development of that policy and when will it be published and have you identified any land to be transferred?

1540 **Deputy Ferbrache:** Sorry I was being briefed on a question I have already answered, I believe.

Deputy St Pier: Do you wish to change your answer.

Deputy Ferbrache: I gave the right answer.

1545 **Deputy St Pier:** That is good!

Deputy Ferbrache: I normally pay great attention to you, Deputy St Pier, as you know, but suddenly my attention was temporarily diverted.

1550 **Deputy St Pier:** Would you like me to repeat the question, Deputy Ferbrache?

Have you drafted yet the land management policy and, if so, will it be published and have you identified any land to be transferred?

1555 **Deputy Ferbrache:** No.

Deputy St Pier: No to any of that. Thank you.

1560 Obviously, a big rationale behind going down this route was to sort of speed up the whole process but here we are, really not much further forward and by rejecting the proposals that were there, in favour of setting up the Agency, it looks as if we might have set things back a bit. Would you agree with that?

1565 **Deputy Ferbrache:** Sometimes you take a step back to move two or three steps forward. Obviously perhaps it has stepped back a bit, but I think overall, if it works as efficiently as, frankly, I hope it will and if it receives the support, because it is going to need the States' support in relation to these matters going forward, then I am sure it will be an advantage to our community.

1570 **Deputy Helyar:** I think one of the issues with it was the original requête, which forced the Harbour options, the comeback was a little bit restrictive. It would have been, I suspect, more palatable for the States to consider the funding for the additional work that was required to establish whether A, B and C actually worked. Because without the ground surveys and the development of the tide dynamics and so on, it was not even possible to establish whether you could build a harbour in one of the positions. Then obviously, as usual, it gets flagged with a £350 million tag and that sets everybody running in the opposite direction.

1575 But I think if the policy letter had just said, 'Can we have X amount?' which was a very small amount to do the survey work to establish whether this could happen or not then we would have actually been able to narrow down the criteria more significantly. At the moment we will be probably stuck in the same place we were to start with. It would be guess work if we said option C, for example, we would not even know if that would work until the survey work was done.

1580 **The Chair:** Any thoughts where an amendment could have been laid to that effect rather than to set up the Development Agency?

1585 **Deputy Helyar:** It could.

Deputy Ferbrache: Let me just say, in relation to land transfer, the policy letter, I have been told should be before the States in May or June and that gives us time, hearing what you say, for people to draft a land transfer policy for the States to consider in May or June. But it is a point you have helpfully made. And sometimes you do make helpful points, Deputy St Pier, so I am very grateful.

1590 **Deputy St Pier:** It is my mission.

Deputy Ferbrache: Precisely that one.

1595 **Deputy St Pier:** Thank you.

1600 **Deputy Murray:** Sorry, could I just add two things to that because I think it is quite important? You mentioned that it was really considered in order to bring things at a faster pace. I think it was also to address the fact that it would span more than one Assembly at this point because that is part of the difficulty, obviously, maintaining that momentum when you bring in new people who then are not necessarily bound by those considerations.

1605 The second thing is that fortuitously, had we made a decision about a particular area for the Harbour, which is pretty key to all of this, at that time we would not have appreciated the inflationary costs that actually came down the pipe afterwards. So in some respects we have been saved, to some extent, by not having committed to that but that also then plays into what we do with the

capital portfolio just now because we have not made an allowance for something we do not know at this stage and it is clearly going to be an awful lot of money. So it is a balancing act, unfortunately.

Deputy St Pier: No, thank you.

1610 Certainly I take the point that it is going to straddle several terms. Obviously, we are trying to establish what is going to be achieved in this term under the GWP but thank you for that point. My final question in relation to the Harbour or Development Agency, is Deputy Ferbrache, you said the individuals have been appointed, subject to the ratification of the States, and they are obviously doing stuff – that was not the phrase that you used – but in essence that they are doing things.
1615 What is it that they are doing? Are they progressing with the surveys?

Deputy Ferbrache: They are not incurring any significant expense because clearly, they have not got a budget at the moment. They are sitting there talking to each other, they are thinking about how they are going to develop the Agency, what ideas they are going to put forward, etc. That is what they are doing.
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Mr Falla was 'appointed' some months ago and he has been actively engaged over that period of time. The other people, whose names have been put forward for ratification by the States in May or June have more recently been appointed but I understand they are having discussions in the meeting. It is not like electing a pope. There is not suddenly going to be white smoke coming out of the ceiling, out of the chimney, but they have been talking about ideas of how to progress it.
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Deputy St Pier: Thank you.

The Chair: I think I need a clarification there because, sorry if I have missed this, but the policy letter or the motion to the States to ratify the members of this committee is May or June but I was misunderstanding as to whether that was also a policy letter that P&R is under Resolution to bring about future Harbour options. Is that coming as well?
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Deputy Ferbrache: There will be certain information. It will have some detail in it but it will not have the detail that you were talking about, putting the question to me about previously.
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The Chair: In the same way as the previous Harbours policy letter had. Okay, thank you, Deputy Fairclough.

Deputy Fairclough: I think, just picking up on that, that was intended to provide the strategic direction to the Development Agency, wasn't it? As to the direction in which to move. So when do you expect that to come before the States?
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Deputy Ferbrache: I think Deputy Burford covered that in a previous question. I hope I answered it by saying I cannot give you a definite date.
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Deputy Fairclough: Okay. Just one final question on this, then. Deputy Ferbrache, you said that you had had a brief meeting with the Development & Planning Authority about the outline planning brief, I think –
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Deputy Ferbrache: About the local planning brief.

Deputy Fairclough: ...the local planning briefs that need to happen, which were always expected to take around 18 months. (**Deputy Ferbrache:** Indeed.) Have those started?
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Deputy Ferbrache: I do not know because they had not started when I attended the meeting after the Briarwood thing because that is why Deputy De Sausmarez, Deputy Inder and I were there, to encourage the DPA to get on with it.

1660 **Deputy Fairclough:** Right, okay.

The Chair: We could run out of time in this political term to make any meaningful progress on this issue?

1665 **Deputy Ferbrache:** We left them at about twenty to six on that Friday afternoon and they were still meeting so I do not know what has been decided since then.

Deputy Murray: The 18 months standard that you talked about was after we had decided with the Harbour what was going to happen.

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The Chair: Exactly. That is what I mean.

Deputy Murray: If we have not got to that point then obviously it would be beyond that because if you try to construct an LPB without knowing where the major component part is going to be it is a bit hit and miss, unfortunately.

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Deputy Fairclough: I think that is right and what we are trying to understand here, and I think we have a better understanding now is the timeline and the end of that timeline now looks like it might be beyond the end of this political term.

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The Chair: Yes, quite. Because if you have got to bring back a policy letter on future Harbour options –

Deputy Ferbrache: I cannot see that it will be beyond it. We have still got two years and three months to go. Forget May and June of 2025, but we have still got over two years to go. I think it would be unduly pessimistic to say that something will not come back in the next two years.

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The Chair: But in terms of the Resolutions as they stand, as I understood it and I am happy to stand to be corrected, that P&R are required to bring back a policy letter on future Harbour options, which will guide the DPA, as Deputy Murray has just mentioned, in terms of making their local planning briefs and they will start doing that and that will take 18 months. So if P&R are not necessarily coming back in the next six months that is the end of this political term.

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Deputy Ferbrache: What I, Deputy Inder and I, and I think Deputy De Sausmarez...but I can speak for myself in relation to that, were saying to the DPA – at the meeting referred to at the place, Friday, whenever it was, weeks ago – was that they should be getting on with that now. If they wait for the Development Agency to bring forward something and it takes another six months, a year, or whatever it may be, and then you add 18 months to that, you are delaying things.

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The Chair: I think Deputy Oliver has made it clear in the States, though, that she sees that that is the only way that it can be done. I think we have probably proceeded as far as we can with this particular point so I will move onto our last topic, which is public sector reform and savings.

So Deputy Fairclough.

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Deputy Fairclough: Yes, Deputy Ferbrache, in your update Statement delivered to the Assembly last September, a lot has happened since then, you talked about the need to redirect public sector

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reform. Can you explain what P&R understands by the phrase public sector reform, in terms of both objectives and outcomes that you are seeking?

1710 **Deputy Ferbrache:** Well, what I found when I became President of P&R in mid-October of 2020 was that there was talk of public sector reform but there was not enough substance as to what that meant. So we as a Committee, over the last two-and-a-half years or so devoted a fair bit of time as to what we think that should be. Some of it is just running hard to stand still, to use a phrase I have used in a different context recently, because, and again it is not a criticism, things have not always developed as they should over a period of time and people have had to do a catch up and that is what we have been trying to do.

I think also... Deputy Le Tocq will add something in relation to that particular topic and certain things that he has been involved in.

1720 **Deputy Le Tocq:** Yes, I guess the topic of public sector reform covers a multitude of issues. Obviously, I have taken on the chairship of the Reshaping Government subcommittee, which has some implications in terms of that but is more focused on the political reforms that need to take place, and obviously Deputy Soulsby was involved before.

1725 We are coming to a stage where we will be making recommendations, as a subcommittee, to P&R and that, I anticipate, will turn into a policy letter for some time in the middle of this year.

Deputy Fairclough: That will be with some recommendations with regard to potential political changes, as opposed to changes in the Civil Service, say?

1730 **Deputy Le Tocq:** If I can be brief on it, I think we decided even under Deputy Soulsby's chairship, because the subcommittee got started at the end of 2021 and so by the time we came to the October or so, when she resigned, we realised that we were nearing a point where we did not have the resources to do everything that we would like to do in terms of ambition.

1735 So we had to cut our cloth accordingly and we are doing that. So there will be primarily a focus on what we can do, and we have alluded to it in some of the answers to questions here, to reduce the levels and different layers that we have that are unnecessary in our Government at the moment, so that it is more streamlined when it comes to decision-making. That is the first thing.

1740 There may therefore be some implications from that with regard to the public sector or the Civil Service in particular in terms of how it supports those structures, and I am sure you will be pleased, Deputy Fairclough, as well, we will be making some recommendations, moderate though they will be, to the number of States' Members.

Deputy Fairclough: So you see this as a top-down approach, do you?

1745 **Deputy Le Tocq:** Yes, because I think what the reforms did and bearing in mind as well we are only in the second term of the last changes in Machinery of Government, I think the subcommittee has come to the conclusion that it is not inappropriate for it to make some nuanced changes where we know that they would be effective and they could be done efficiently and quickly because that is the other thing, if you do too many things that require changes to legislation then certainly I know, from my previous experience of these sorts of things, that takes quite a long time in terms of drafting.

1755 So we need to be focused on those sorts of things but nevertheless whilst in terms of, without giving the game away, where we are at the moment is at a stage where we realise that one of the reforms that happened in 2016 was to remove the Policy Council because in a sense we had a two-headed beast there, because we had a Treasury & Resources Department, a Policy Council and that came together well in terms of P&R but what we did not do was create an environment where policy could be intentionally made by those at senior levels.

1760 So now we have a group, but it is not an effective group as such in terms of formally owning that policy. It is more like a responsive group and that is something we want to make some recommendations about.

Deputy Fairclough: And is there the potential, then, further down the line, if you are taking a top-down approach, to save money?

1765 **Deputy Le Tocq:** Yes, absolutely. Certainly that is our intention. Not just by reducing the number of States' Members because, to be honest, that is slightly tokenism in terms of saving money. It may on the other hand ... one of the intentions is to have more focus on those Committees that are focused on Government and those Members who could be more focused on scrutiny because we do believe in good scrutiny politically and at the moment as you well know there is not that sort of focus.

1770 So we do think that better focus on Government policy making, and scrutiny can be achieved politically, particularly, so that there is more of an intentional opportunity for the public to see that those who are making the decisions in the Government Committees are having their feet put to the fire.

1775 **Deputy Ferbrache:** It is a minor point, following on from what Deputy Le Tocq has said, I checked what States' Members' salaries payments were when I first came into the States in 1994, and I know that is a long time ago and you have got to add inflation. It was £511,000; 2022, it was £1.7 million. There were 57 Members in 1994, there are 40 Members now.

1780 Okay you have got inflation over that period of time, so it is not quite like for like. It has almost doubled in real terms, the cost of what States' Members are paid and their contribution. But in relative terms with a Budget of £580 million-odd *per annum*, it is not a mere *bagatelle*, but it is the overriding factor.

1785 But to go on from Deputy Le Tocq, and that is why I wanted to start with what is happening with Machinery of Government and he has dealt with that, we have been looking at terms and conditions of employment of civil servants in relation to that. We have not sat still in connection with that because that is part of public service reform.

1790 We have looked at where we can rationalise the number of States' employees. That is exceedingly difficult. A figure of 200 was mentioned. That is just not achievable. We just cannot see that that could be achievable because the statistics show that over the last 10 or 11 years, almost exclusively – not quite but almost exclusively – the growth in public sector employees relates to the Health & Social Care Department, almost exclusively in connection with that and also the costs involved *vis-à-vis* that.

1795 Now, whether we can do something more material in connection with that we will have to wait and see but clearly we and the able civil servants that advise us and work with us, are trying to make sure that we get the best value for money that we can, for the taxpayers' money, whether it is with kit, whether it is with people or whether it is with working practices and that is what we have been progressing over the last two years or so.

1800 **Deputy Fairclough:** Okay, thank you for that.

The Chair: Coming right up to the end now, I have just got one final question, which hopefully is just a yes or a no for each of you before we wrap up. Do you have confidence in the Committee for the Environment & Infrastructure.

1805 **Deputy Murray:** Absolutely, yes.

The Chair: Four yesses. Right thank you very much indeed for your time to the witnesses who are attending and thank you for increasing the awareness of the work that Policy & Resources do.

- 1810 Scrutiny undertakes regular hearings with all the Principal Committees. Our next hearing is on 5th April with the Committee *for* Education, Sport & Culture.
So once again thank you to everyone and the Meeting is now closed.

The Committee adjourned at 4.31 p.m.