



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Tuesday, 5th November 2024

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Present:

Sir R. J. McMahon, Esq., Bailiff and Presiding Officer

Law Officers

M. M. E. Pullum, K.C. (H.M. Procureur)

People's Deputies

S. E. Aldwell	C. J. Le Tissier
C. P. A Blin	J. P. Le Tocq
A. H. Brouard	M. P. Leadbeater
Y. Burford	D. J. Mahoney
T. L. Bury	A. D. S. Matthews
D. de G. de Lisle	L. J. McKenna
H. L. de Sausmarez	C. P. Meerveld
A. C. Dudley-Owen	N. G. Moakes
J. F. Dyke	R. C. Murray
S. P. Fairclough	V. S. Oliver
S. J. Falla	C. N. K. Parkinson
P. T. R. Ferbrache	R. G. Prow
J. A. B. Gollop	L. C. Queripel
S. P. Haskins	P. J. Roffey
M. A. J. Helyar	H. J. R. Soulsby
N. R. Inder	L. S. Trott
A. Kazantseva-Miller	S. P. J. Vermeulen

The Clerk to the States of Deliberation

E. Gallienne, Esq. (Deputy Greffier)

Absent at the Evocation

Deputy Cameron (*absent de l'Île*); Deputy Gabriel (*absent de l'Île*); Deputy St Pier (*absent de l'Île*);
Deputy Taylor (*indisposé*);
Alderney Representative Roberts (*relevé à 14h 44*); Alderney Representative Snowdon (*relevé à 14h 44*)

Business transacted

Evocation	1569
Convocation	1569
Billet d'État XIX.....	1569
1. The States of Guernsey Annual Budget for 2025 – Debate commenced	1569
<i>The Assembly adjourned at 12.36 p.m. and resumed its sitting at 2.30 p.m.</i>	<i>1612</i>
The States of Guernsey Annual Budget for 2025 – Debate continued	1613
<i>The Assembly adjourned at 6.01 p.m.</i>	<i>1656</i>

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States of Deliberation

*The States met at 9.30 a.m. in the presence of
His Excellency Lt Gen Richard Cripwell
Lieutenant-Governor and Commander-in-Chief of the Bailiwick of Guernsey*

THE BAILIFF *in the Chair*

PRAYERS

The Deputy Greffier

EVOCATION

CONVOCATION

The Deputy Greffier: Billet d'État XIX, to the Members of the States of the Island of Guernsey, I hereby give notice that a Meeting of the States of Deliberation will be held at the Royal Court House on Tuesday 5th November 2024 at 9.30 a.m. to consider the items listed in the Billet which have been submitted for debate.

The Bailiff: Good morning, Members of the States. I am sure you will all be relieved to know that the Greffier has checked the basement of the building and not found any gun powder today (*Laughter*) so you are all safe! Without more ado, I will ask the Greffier to mention the first item of business for you and then I will call Deputy Trott.

Billet d'État XIX

COMMITTEE FOR POLICY & RESOURCES

1. The States of Guernsey Annual Budget for 2025 – Debate commenced

Article 1.

The States are asked to decide whether, after consideration of the Policy Letter entitled "States of Guernsey Budget, 2025", they are of the opinion:-

1. To set the individual standard rate in the Fifth Schedule to the Income Tax (Guernsey) Law, 1975 at 22% for Years of Charge 2025 and 2026, then at 20% for Years of Charge 2027 and onwards, making consequential amendments to other areas of the Law as set out in paragraphs 5.30-5.32.

2. That,

(a) subject to the provisions of the Income Tax (Guernsey) Law, 1975 and to the provisions of this Proposition, the allowances claimable for the Year of Charge 2025 by an individual solely or

principally resident in Guernsey by way of relief from income tax at the individual standard rate, shall, subject to the approval of proposition 1, be the allowances specified in the First Schedule to this proposition;

(b) should proposition 1 not be approved, then the allowances specified in the First Schedule to this proposition shall apply with the following modifications –

i. the personal allowance specified in paragraph 1 of the First Schedule (£15,000) shall be replaced with £14,600, and

ii. the dependent relative's income specified in paragraph 2 of the First Schedule (£10,320) shall be replaced wherever appearing with £10,070;

(b) the allowances specified in the First Schedule to this proposition shall only be granted to an individual who has made a claim in accordance with the provisions of the Income Tax (Guernsey) Law, 1975 and who has proved the conditions applicable to such allowances and prescribed in the Second Schedule to this proposition have been fulfilled;

(c) "Family Allowances" means Family Allowances payable under the Family Allowances (Guernsey) Law, 1950 as amended; and

(d) "the Income Tax (Guernsey) Law, 1975" means that Law as amended, extended or applied by or under any other enactment and includes, where relevant, any Ordinance, regulation or Resolution of the States made under that Law.

FIRST SCHEDULE

Year of Charge 2025

This schedule specifies the allowances claimable by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate. All allowances are subject to the following conditions –

(i) the allowances shall be pro-rated for an individual who is solely or principally resident in the years of that individual's arrival in, or permanent departure from, Guernsey, based on the proportion of time spent in Guernsey in the relevant year of charge in the same manner in which income is pro-rated by virtue of sections 5(3) and 5(4) of the Income Tax (Guernsey) Law, 1975,

(ii) where an individual is in receipt of a Guernsey source pension, which is liable to be taxed at source under the Employees Tax Instalment scheme, or a Guernsey States pension arising under section 33 of the Social Insurance (Guernsey) Law 1978, then the pro-rating under section 51(5) and 51A(2A) of the Income Tax (Guernsey) Law, 1975 shall apply –

(a) from the commencement of the year of charge until the date of arrival (in the case of that individual's permanent arrival),

(b) from the date of departure until the end of the year of charge (in the case of that individual's permanent departure), and

(iii) the totality of each individual's allowances and withdrawable deductions are reduced at a ratio of £1 of allowances and withdrawable deductions for every £5 that that individual's calculated income is above the limit of £82,500 (such limit being pro-rated in the year of arrival or departure, based on the proportion of time spent in Guernsey in the relevant year).

For the purpose of this schedule –

(a) calculated income is an individual's income net of deductions but gross of any withdrawable deductions to which that individual is entitled, and

(b) the withdrawable deductions are the following deductions –

- Pension contributions, namely*
- Retirement Annuity Allowance*
- contributions to an approved occupational or personal pension scheme*

over £2,500 (which aggregate amount shall not be withdrawn, and shall not form part of the 'withdrawable deductions')

- Mortgage interest relief*

NATURE OF ALLOWANCE	AMOUNT OF ALLOWANCE
1. Personal Allowance*^	Tax at the individual standard rate on £15,000.
2. Dependent Relative Allowance*	<i>In respect of each dependent relative – tax at the individual standard rate on £4,530 or on the amount of the contributions whichever is less: Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £10,320 the allowance shall be reduced to tax at the individual standard rate on such sum as remains after subtracting from £4,530 the sum of £1 for every pound by which the dependent relative's income exceeds £10,320.</i>
3. Infirm Person's Allowance*	Tax at the individual standard rate on £4,530
4. Housekeeper Allowance	Tax at the individual standard rate on £4,530
5. Charge of Children Allowance*	Tax at the individual standard rate on £9,490
6. Retirement Annuity Allowance	Tax at the individual standard rate on a sum equal to the qualifying premiums or contributions.

SECOND SCHEDULE

This schedule prescribes the conditions applicable to the allowances specified in the First Schedule
Dependent Relative Allowance

A. (1) The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in the case of a child receiving higher education are:

(a) that the child in respect of whom an allowance is claimed -

(i) is the child of the claimant, or

(ii) is the illegitimate child of the claimant and in the year of charge is maintained by the claimant;

(b) that on the first day of August in the year of charge, the child is over the age of nineteen years and is, in that year of charge, receiving full-time instruction at any university, college, school or other educational establishment.

(c) that the claim relates to a dependent relative in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2018.

(2) The expression "child" shall include a stepchild, and a child who has been lawfully adopted shall be treated as the child of the individual by whom the child has been so adopted and not as the child of the natural parent.

(3) Where a couple are cohabiting as if they were married and either of them has a child in respect of whom a dependent relative allowance is claimable, either individual by a notice in writing addressed to the Director may elect that, for the purposes of the said allowance, the child shall be treated as if the child were the child of that cohabitee.

(4) In computing the amount of a child's income in the child's own right, no account shall be taken of any sum to which the child is entitled as the holder of a scholarship, bursary or other similar educational endowment.

(5) Where two or more individuals jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.

B. (1) The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in any other case are:

- (a) that the claimant at the claimant's own expense maintains or contributes towards the maintenance of a person being a relative of the claimant; and*
- (b) that the person so maintained is prevented by incapacity due to old age or infirmity from maintaining themselves; and*
- (c) that the claim relates to a dependent relative in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.*

(2) Where two or more individuals jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.

Infirm Person's Allowance

(1) The conditions to be fulfilled to entitle a claimant to an infirm person's allowance are:

- (a) that the claimant is by reason of old age or infirmity compelled to maintain or employ an individual solely for the purpose of having care of the claimant;
Provided that the allowance shall not be granted by reason of infirmity unless throughout the year the claimant was permanently incapacitated by physical or mental infirmity.*
- (b) if such an individual is a relative of the claimant and if the claimant is entitled to any other allowance in the First Schedule in respect of that individual, that the claim to that other allowance has been relinquished;*
- (c) that the claim relates to an infirm person in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.*

(2) Not more than one Infirm Person's Allowance shall be allowed to any claimant for any year.

Housekeeper Allowance

(1) The conditions to be fulfilled to entitle a claimant to a housekeeper allowance are:

- (a) that the claimant is a widow or widower;*
- (b) that in the year of charge a person is employed or maintained by the claimant solely for the purpose of acting in the capacity of a housekeeper for the claimant;*
- (c) if such person is a relative of the claimant and if the claimant is entitled to any other allowance in the First Schedule in respect of that person, that the claim to that other allowance has been relinquished;*
- (d) that the claim relates to a housekeeper in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.*

(2) A housekeeper allowance shall not be granted to any individual for any year in respect of more than one person.

(3) A housekeeper allowance shall not be granted to any individual in any year in which another person's unused allowance has been transferred to that individual or if that individual is in receipt of an infirm person's allowance.

(4) "Housekeeper" means a person who is responsible by delegation for the management of the household, including arrangements for food, housekeeping expenditure and the care of linen and laundry.

Charge of Children Allowance

(1) The conditions to be fulfilled to entitle a claimant who is married or in a civil partnership to a charge of children allowance are:

- (a) that in the year of charge the claimant, or the claimant's spouse, is in receipt of Family Allowances in respect of one or more children -
 - (i) on 1 January, or*
 - (ii) on the date on which Family Allowance is first claimed in respect of that child in the year in question, whichever date is first relevant, and**

(b) that the claimant proves that throughout the year either the claimant or the claimant's spouse is totally incapacitated by physical or mental infirmity and that a person is maintained or employed by the claimant for the purpose of having the charge and care of the child, and
(c) that neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained or, if the claimant or any other individual is so entitled, that the claim to a dependent relative allowance has been relinquished.

Provided that, for the purposes of subparagraph (a), the claimant or the claimant's spouse, as the case may be, shall be deemed to be in receipt of a Family Allowance in respect of a child in a year of charge if they are not in receipt of such an Allowance solely by reason of the amount of their income exceeding the maximum amount prescribed for persons to be eligible for the receipt of such an Allowance.

This proviso is in addition to and not in derogation from paragraph (4).

Provided also that, for the purposes of subparagraph (a), an individual ("X") shall be deemed to be in receipt of a Family Allowance in respect of a child in a year of charge –

(aa) only if X has made a claim for such an Allowance, and it is being paid to X in X's name, or

(bb) where X is an individual to whom the preceding proviso applies, only if such an Allowance would, but for X's income, be paid to X in X's name.

(2) The conditions to be fulfilled to entitle a claimant who is not married or in a civil partnership to a charge of children allowance are that in the year of charge:

(a) the claimant is in receipt of Family Allowances in respect of one or more children –

(i) on 1 January, or

(ii) on the date on which Family Allowance is first claimed in respect of that child in the year in question, whichever date is first relevant, and

(b) the claimant is not cohabiting with another person, except where –

(i) the claimant proves that throughout the year either the claimant or the claimant's cohabitee is totally incapacitated by physical or mental infirmity, and that a third person is maintained or employed by the claimant for the purpose of having the charge and care of the child, and

(ii) neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained or, if the claimant or any other individual is so entitled, that the claim to a dependent relative allowance has been relinquished.

Provided that, for the purposes of subparagraph (a), claimants shall be deemed to be in receipt of a Family Allowance in respect of a child in a year of charge if –

(A) they are not in receipt of such an Allowance solely by reason of the amount of their income exceeding the maximum amount prescribed for persons to be eligible for the receipt of such an Allowance, and

(B) in the case of claimants who are not cohabiting with another person, they are the principal carer of the child.

This proviso is in addition to and not in derogation from paragraph (4).

Provided also that, for the purposes of subparagraph (a), an individual ("Y") shall be deemed to be in receipt of a Family Allowance in respect of a child in a year of charge –

(aa) only if Y has made a claim for such an Allowance, and it is being paid to Y in Y's name, or

(bb) where Y is an individual to whom the preceding proviso applies, only if such an Allowance would, but for Y's income, be paid to Y in Y's name (but without prejudice to the application of condition B of the preceding proviso).

(3) The claimant must have relinquished any claim to a housekeeper allowance or to an infirm person's allowance for that year.

(4) Where an individual has a child receiving higher education or a child aged 18 receiving secondary education, that individual shall, for the purposes of the preceding paragraphs numbered (1) to (3), be deemed to be in receipt of a Family Allowance in respect of the said child.

Provided that if there are two such individuals the charge of children allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that child.

(5) Not more than one Charge of Children Allowance shall be granted to any claimant for any year.

Retirement Annuity Allowance

(1) The conditions to be fulfilled to entitle a claimant to a retirement annuity allowance or deduction under section 8(3)(bb) of the Income Tax (Guernsey) Law, 1975 are that the claimant pays a premium or makes a contribution to a retirement annuity scheme or to a retirement annuity trust scheme approved under the provisions of section 157A of the Income Tax (Guernsey) Law, 1975 and of which the claimant is a beneficiary.

(2) Subject to the provisions of paragraph (3) the qualifying premiums or contributions, as the case may be, shall be the amount of any premium paid or contribution made by the claimant during the year of charge.

(3) Notwithstanding the provisions of paragraph (2) no allowance or deduction shall be given in respect of any qualifying premiums or contributions to the extent that, in aggregate, they exceed:

(a) 100% of the income of the claimant during the year of charge, or

(b) any retirement annuity contribution limit for the time being prescribed by Regulations made by the Committee.

Transferability of unused allowances

- the allowances marked with an * in the first schedule are transferable between taxpayers in the circumstances described in paragraph (i) below*

- the allowances marked with an ^ in the first schedule are transferable between taxpayers in the circumstances described in paragraph (ii) below,*

and in all cases transfer is subject to the conditions detailed below.

(i) transfers between married couples or couples in a civil partnership

If at the commencement of the year of charge the claimant's spouse is living with the claimant as a married couple, the claimant may, in respect of the year of charge, by notice in writing addressed to the Director, elect that any unused part of the allowance to which the claimant would otherwise be entitled shall cease to be the claimant's and shall become part of the allowance of the claimant's spouse, such election, once made, to be irrevocable in respect of that year of charge.

Provided that, should the marriage or civil partnership end in the year of charge, by reason of divorce or separation, the allowance is proportioned on the basis of the number of days in the year of charge which precede that event, with the relevant proportion of any unused allowances prior to that event being eligible for transfer.

*For the purposes of this paragraph –
"divorce" means that the Court for Matrimonial Causes has made a Final Order on a decree of divorce or of nullity of marriage in respect of the marriage in question or that the courts of another jurisdiction have made a corresponding order in respect thereof, and includes an order for the dissolution of a civil partnership, and*

"separation" means that the couple are living separately as fully and as completely as though they had never been married or entered into a civil partnership, as the case may be.

Provided that, should the marriage or civil partnership end in the year of charge, by reason of death, the full unused allowance is transferrable.

Where an election is made to transfer an allowance under this paragraph, that part of the allowance that is unused will be transferred upon receipt of a claim in the transferor's or transferee's tax return.

(ii) transfers between co-habiting couples in receipt or deemed receipt of Family Allowance, but not eligible for the charge of children allowance

Where the recipient or deemed recipient of a Family Allowance in respect of one or more children is not entitled to claim the charge of children allowance because the claimant is cohabiting with another person at the commencement of the year of charge, the claimant may, in respect of the year of charge, by notice in writing addressed to the Director, elect that any unused part of the personal allowance to which the claimant would otherwise be entitled shall cease to be the claimant's and shall become part of the personal allowance of the person with whom they are cohabiting, such election, once made, to be irrevocable in respect of that year of charge.

Provided that, should the couple cease to cohabit in the year of charge, the allowance is proportioned on the basis of the number of days in the year of charge which precede that event, with the relevant proportion of any unused allowances prior to that event being eligible for transfer.

Provided also that, should the couple cease to co-habit in the year of charge, by reason of death, the full unused allowance is transferrable.

For the purposes of this paragraph "cohabiting" means living with another person, as if they were married or in a civil partnership, and "deemed receipt" and "deemed recipient" of Family Allowance mean deemed by virtue of the proviso to paragraph (2) of Charge of Children

Allowance above.

Where an election is made to transfer an allowance under this paragraph, that part of the allowance that is unused will be transferred upon receipt of a claim in the transferor's or transferee's tax return.

3. To direct the Policy & Resources Committee to make recommendations in the 2026 Budget Report for the individual personal income tax allowance to increase by a minimum of the rate of inflation forecast for 2026.

4. To set the amount of tax relief in respect of interest paid on money borrowed for the acquisition, construction, reconstruction or repair of a domestic residential dwelling, situated in the Bailiwick of Guernsey, allowable against letting income under section 2(2)(d) of the Income Tax (Tax Relief on Interest Payments) (Guernsey) Ordinance, 2007 as follows:

Proportion of Interest Paid eligible for tax relief

*For 2025 and subsequent
years of charge 50%*

5. To introduce with effect from 1 January 2025 a limit of tax payable by an individual ("A") principally resident (for tax purposes) in Alderney of £60,000 (or such other amount as the States may by resolution prescribe) in respect of a year of charge (the "Alderney Property Tax Cap"), where A-

(a) has paid £50,000 or more in (i) document duty, (ii) transfer duty or (iii) long leasehold duty in respect of (as the case may be) the purchase by A of a property in Alderney, or the transfer to A of the legal or beneficial ownership of all of the shares of a company which owns (or which owns a company which owns) a property in Alderney, or the grant or assignment to A of a long lease of land comprising a property in Alderney, in each case on or after 1 January 2025 ("the relevant acquisition"), and

(b) has made the relevant acquisition on a date either on, or up to twelve months prior to, or up to twelve months after, the date on which A takes up permanent residence in Alderney ("the permitted period"), and

(c) has not been resident in Alderney or Guernsey at any time in the previous three years prior to the relevant acquisition save for the permitted period.

This Alderney Property Tax Cap shall only be available for the year of charge in which A takes up permanent residence and for each of the three consecutive years of charge immediately thereafter. The qualifying and non-qualifying income for the Alderney Property Tax Cap shall apply in in the same manner as specified for the Open Market Tax Cap.

6. To agree that the annual tax-free lump sum limit for a pension scheme remains at £203,000 for 2025.

7. To exempt from income tax rental payments made to private householders by lodgers up to a maximum of £10,000 per room, and two rooms per property, subject to the conditions set out in paragraph 5.29.
8. To increase the maximum aggregate amount of donations that may be made to Guernsey Registered Charities and be exempt from income tax in any year of charge, specified in section 64B(1)(d) of the Income Tax (Guernsey) Law, 1975, as amended from £7,500 to £10,000.
9. To specify the OECD Crypto-Asset Reporting Framework, together with associated commentary and guidance, as an international tax measure under section 75CC(1C) of the Income Tax (Guernsey) Law, 1975, to enable the Policy & Resources Committee to make Regulations implementing the Framework, commentary and guidance in domestic law.
10. To approve the draft Ordinance entitled "The Excise Duties (Budget) Ordinance, 2024" and to direct that the same shall have effect as an Ordinance of the States.
11. To agree that the duty-free relief for biodiesel and Hydrotreated Vegetable Oil (HVO) is removed, and to direct the Committee for Home Affairs to exercise its statutory powers in order to bring an end to any duty-free relief on 31st December 2024.
12. To agree that Resolution 11 from the 2023 Budget Report is rescinded.
13. To approve the draft Ordinance entitled "The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2024" and to direct that the same shall have effect as an Ordinance of the States.
14. To approve the draft Ordinance entitled "The Document Duty (Rates) (Amendment) Ordinance, 2024" and to direct that the same shall have effect as an Ordinance of the States.
15. To approve the draft Ordinance entitled "The Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2024" and to direct that the same shall have effect as an Ordinance of the States.
16. To agree that the rates of Vehicle First Registration Duty are set by the States of Deliberation by Ordinance and any proposed amendments are included as propositions in the Annual Budget.
17. To approve the draft Ordinance entitled "The Motor Taxation (First Registration Duty of Motor Vehicles) (Guernsey) Ordinance, 2024" and to direct that the same shall have effect as an Ordinance of the States.
18. To approve that for 2025 costs of up to £6.0m for funding drugs and treatments in receipt of a Technology Appraisal from the National Institute of Clinical Excellence (NICE TAs) will be funded from the Guernsey Health Reserve.
19. To approve Routine Capital allocations for 2025-2028 as follows and to delegate authority to the Policy & Resources Committee to allocate the "unallocated" funding to categories based on demand:
 - Information Technology – £18m;
 - Medical Equipment – £4m;
 - Vehicles & Other Equipment – £13m;
 - Property Maintenance and Minor Works – £10m;
 - Roads resurfacing programme – £10m;
 - States' Housing – £13m; and
 - Unallocated - £25m.
20. To agree that the delegated authority for the Policy & Resources Committee to approve funding for urgent projects, Routine Capital expenditure and strategic property purchases is increased to £3m.
21. To agree to fund the proposed Victor Hugo Centre through matched funding of £1 for every £2 raised by the Victor Hugo Centre Guernsey LBG, up to a maximum of £2.5m and direct the Policy & Resources Committee to make appropriate provision within the 2026 Budget.
22. To approve that projects to build a construction village and temporary key worker housing are added to the Major Projects Portfolio.
23. To approve provision within the 2025 Budget for a transfer from the General Reserve to Guernsey Ports to fund its 2025 cash requirements estimated at £2.6m.

24. To endorse the recommendation that a study be undertaken, led by the Policy & Resources Committee and working with the States' Trading Supervisory Board and the Committee for Economic Development, on a potential subsidy for Guernsey Airport, to be presented in the 2026 Budget Report.

25. To approve provision within the 2025 Budget for a transfer of £0.5m from the General Reserve to Guernsey Waste to fund its 2025 operating losses.

26. To approve provision within the 2025 Budget for a transfer of £1.3m from the General Reserve to Guernsey Dairy to fund its 2025 cash requirements.

27. To approve the provision within the 2025 Budget for a return of funding from States Works to the General Revenue Reserve estimated at £0.75m.

28. To agree the Tier 1 initiatives identified by the Reducing the Cost of Public Services Sub Committee as detailed in paragraph 7.83 and to direct that Principal Committees investigate these initiatives further or, where possible, implement the changes needed to deliver savings.

29. To approve ordinary revenue expenditure for 2025 totalling £650.0m as set out in the table in paragraph 6.17 and the revenue expenditure budgets as set out on pages 126 to 146;

30. To approve the following Budgets for the year 2025:

(a) Guernsey Ports

(b) Guernsey Water

(c) Guernsey Waste

(d) States Works

(e) Guernsey Dairy

(f) Superannuation Fund Administration

(g) Committee for Employment & Social Security – Contributory Funds.

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

The Deputy Greffier: Article 1, Policy & Resources Committee – the States of Guernsey Budget for 2025.

15 **The Bailiff:** I will invite the President of the Committee, Deputy Trott, to open the debate.

Deputy Trott: Thank you, sir.

These last few weeks have been challenging as we all seek to find a way forward to protect our public services and enable continued investment in our public infrastructure to the extent already agreed in our Funding & Investment Plan. Now, we can only do that with sufficient funding and right now we do not have sufficient funding.

Sir, during the last few weeks of intensive discussion, our 2,000 health workers have continued to look after our community. Our nearly 1,000 teachers and support staff have continued to teach our children and our 500 manual workers and 400 uniformed services have continued to serve our community and so has our Civil Service of about 1,600 full-time equivalents; the smallest Civil Service on a pro-rated basis within the three CDs. I thank them all, sir. (**A Member:** Hear, hear.)

Sir, latest forecasts show that the Island's financial position has worsened by £100 million since the Funding & Investment Plan was agreed last year, that is why the Policy & Resources Committee have sought to lay an amendment which seeks to achieve consensus through a proposal that delivers both the short-term cash injection that it considers essential to sure up public finances immediately and enables this Assembly to direct that the work on further tax reforms is carried out now. Now I know, sir, that amendment has not yet been laid but I wanted to make the point that I have talked about consensus and how we have all worked so hard to arrive at this position and it was, I think, important to mention that is an option for this Assembly later on.

But let me start, really, the speech proper with dealing with the context, the back drop. The States have been aware for the last decade that we are running a deficit and that action is needed. Multiple attempts have been made, several of them this term, to address it but, to date, a solution has not

been founded that a majority of the States can support and we are running out of time. Action is needed and, dare I say, it is now absolutely needed this day.

40 Now Members will have studied the 2025 Budget Report and will know that the back drop has taken a turn for the worse this year. Our forecast out-turn for 2024 is an operating deficit on general revenue of £24 million, or £30 million when we take into account the trading entity losses being supported from general taxation.

45 Now some of this is one-off in nature and I have already briefed Members about the one-off payments made and claimed in respect of corporate Income Tax and I do not intend to dwell on that today but other impacts are part of the natural evolution of our economy, including the ageing and retirement of our workforce and persistent high inflation coupled with relatively weak real terms earnings growth.

50 Sir, there has been some good news since the publication of the Budget. Exceptionally strong Document Duty receipts for September at more than double the monthly average means that revenues from this source have been revised upwards by £4 million since the publication of the Budget. This means there will be a slight improvement on our overall forecast for this year but, to be clear, that means it is likely to be slightly less bad than currently presented.

55 So what does this mean for 2025? Well, the underlying revenue profile should recover somewhat but the Policy & Resources Committee received additional funding requests from Committees totalling £32 million. That is £32 million on top of inflation and known demand pressures in Health & Social Care, who are clearly heading for another operating deficit without action.

60 Now, I am sure that some in the Assembly will be thinking that is the problem, we are spending too much on public services and I am regularly stopped and asked about why money is wasted on a bloated Civil Service and how our problems could all be solved by big cuts to staff numbers. Sadly, it is an easy line peddled by some of our most prominent media voices too (**Several Members:** Hear, hear!) but it is wrong. (**A Member:** Hear, hear.)

65 Our public services are delivered from a substantially lower cost base than similar jurisdictions. The Budget Report compares the cost of public services per head of population here to our near neighbour. We spend £1,800 per person less on our services than they do. If we spent the same that would amount to an additional £120 million each and every year, if we were to increase to that level. We spend £2,100 per person less than the UK and that, Members, is before the increases recently announced by the Chancellor. It is simply wrong to say we are bloated, it is not true. By rights, with our smaller population and economy, we should be costing more not less.

70 So let's take a minute to remind Members what I said in my earlier remarks because I think it is important. The public service employs about 5,000 full-time equivalent staff. This number has increased in recent years, there is no denying that and we will come to that in a moment, but as I said 1,500 of these are nurses and doctors, nearly 1,000 are teachers and teachers' assistants, over 400 are uniformed services, nearly 500 are manual workers.

75 Yes, there are about 1,600 civil servants but that category of staff covers many roles that nobody would consider to be civil servant pen pushers, including social workers, health scientists, engineers, boat crew, meteorological observers, childcare professionals, archaeologists, trading standards, sports and fitness instructors and school technicians and these people are also delivering the public services our community relies on. They are also front line.

80 Members will have heard me say, many times, that an organisation has pockets of waste and inefficiency, that is a fact, but that is not what I see on a daily basis as I observe the work of the public service. We provide a broad range of public services that the community want and need, less than other jurisdictions and we should be celebrating that rather than constantly and relentlessly criticising. (**A Member:** Hear, hear.)

85 I set this out because when Committees approach us and say they need more funding and more staff to cope with rising demand and to keep pace with international requirements they are doing so because they are mandated to deliver these public services on behalf of our community. The Policy & Resources Committee takes such requests very seriously just like the last Policy & Resources Committee did when they bought budgets to this Assembly for 2022 to 2024 which saw

90 costs rise by £140 million in nominal terms, which was nearly £50 million in real terms after taking
into account inflation and full-time equivalents required increased by over 350 posts. Yes, 350 posts
are under the previous Policy & Resources Committee, they did that because they needed to and I
extend no criticism to them for it.

95 So not supporting just over half of these additional requests has involved some very difficult
decisions and not ones we have taken lightly. So if we want to maintain class sizes, keep waiting
lists down, preserve the excellent quality of our emergency department services, support investment
into economic growth and deliver against our international standards obligations to underpin our
position as an international finance centre then we must provide funding.

100 Now, sir, 2025 is the year of the implementation of the minimum top-up tax which will ensure
our compliance with the OECD's Pillar 2 of the Global Anti-base Erosion Model Rules. We have been
able to account for this in 2025, although cash is not likely to flow in until 2027, which is expected
to generate an additional £30 million of revenue. However, even after taking this into account
without taking action we would have been presenting a budget to this Assembly with a general
revenue operating deficit.

105 Just to spell that out, we would have been spending more on the day-to-day delivery of public
services than we are collecting in taxes. That is without even contemplating infrastructure
investment. So it is clear that something needs to be done and that action needs to be immediate.
The States cannot get away from difficult decisions.

110 Now, if the Assembly is not prepared to agree the additional interim revenue raising then, at the
very least, we will need to review the plans for investment early next year. We can only spend money
we have and we can only spend it once. If reserves are needed to support deficits they cannot be
spent on capital projects.

115 Now, sir, the 2% Income Tax measure is proposed to tackle an immediate and acute issue which
exists today. We cannot wait any longer to take steps to address what has become a real and urgent
financial shortfall. Without it we would have to dig further into our dwindling reserves just to keep
the day-to-day services operating and would have to seriously curtail investment in infrastructure
and I do not believe there is a person in this Assembly who wants to see the latter outcome in
particular. So if you take nothing else from my opening remarks take this key message, we need
more revenue now, waiting is no longer an option.

120 The Budget includes some measures to soften the blow of additional taxes, this includes an
increase in the tax allowance on earned income to £15,000, which will reduce the tax liability for
some of the lowest earners in our community. It also includes tax relief for those willing to open up
their homes and make their own small contribution to relieving the stress that our private rental
market is facing. It includes provision to provide for temporary accommodation for the construction
125 sector so that they in turn can build permanent homes for Islanders. It includes provision for
temporary housing for our much needed key workers, which should reduce the pressure on
recruitment for our health and care services and relieve some of the stress on our rental market and
it includes updating our Document Duty thresholds to reflect the increases in prices since they were
last reviewed, which lightens the burden on those buying property. It is not all bad news.

130 As I have stated, the temporary increase in Income Tax is a short-term measure to address an
immediate and acute financial issue. It is not designed to be a long-term solution. It puts £55 million
in the bank over the next two years which helps secure continued investment in our economy. That
does not just mean building projects, though they are key, it also means investing in the areas of
public service that can help to enable new business opportunities, improve connectivity, both
135 physical and digital, and identify and support the skills our economy needs.

140 Sir, the Policy & Resources Committee is not proposing a long-term solution; that is, rightly, now
a decision for the next States and many of you will be in it. Those elected Members will be charged
with agreeing and implementing that long-term solution, whatever it may be. That may include a
GST, it may be an increase in the Income Tax rate and it may be something else, but that is not the
immediate decision for today. The decision for today is about what the States needs to do to sure

up the position in 2025; we are being fiscally responsible and proposing that we address the current and urgent shortfall in our finances.

Now, sir, there are a number of amendments placed to this Budget, some of which are very far reaching and substantive and which we will debate in due course, However, there is one thing I would urge Members to take on board when considering how to vote, only one measure generates the significant additional revenue that we require next year and I will address that in more detail when the time comes.

Since publication of this Budget we have examined the position over 2024, 2025 and 2026 compared to that which the Assembly saw last Autumn in the Funding & Investment Plan before – and I stress, *before* – the addition of an increase in Income Tax and the good news is that the revenue position is a total of a £25 million improvement across 2025-26 due to the higher than originally estimated revenues from Pillar 2. So that is pleasing.

However, other things have moved in the opposite direction. The Funding & Investment Plan (F&IP) assumed £12 million of savings across the period and had assumptions regarding the growth and expenditure which have turned out to be an under estimate. We have also had a significant mis-match between historic inflation, which drives contracts, benefits and wage negotiations and forward looking inflation largely driving revenue, which has also worsened the position. Add to that the nearly £50 million difference between what was estimated in the F&IP and the likely 2024 out-turn and the overall position is that we will be £100 million worse off. That is £100 million less to invest in our future, in our infrastructure and that is why we must take action.

Now without the essential revenue raising measures in this Budget to secure our public finances here and now the next States will not be able to take that next step forward and really look at how it uses public funds strategically to grow our economy and give all Islanders greater opportunities. Instead it will spend the next term firefighting the immediate problem of how to resource our existing essential services which are under increasing pressure. Our ageing demographic is having a very real impact already and we all know that.

But there is no reason we should be constantly firefighting and playing catch up. This States can give Guernsey a foundation so our successors can move to a position where we are one step ahead of our competitors, identifying and exploring new economic opportunities before anyone else and not after. Our competitors invest more, not just in their infrastructure but in the support staff that enable those infrastructure projects; in external relations they spend more, in economic development they spend more, in air and sea link development they spend more and I could go on.

A growing economy needs more than just public investment, of course, it takes an ambitious and entrepreneurial community it takes a good understanding of the international economic conditions. So public investment alone is not a guarantee of economic growth but without public investment you guarantee economic stagnation. I am going to stay that again, public investment alone is not a guarantee of economic growth but without public investment you *guarantee* economic stagnation. Who wants that in here, tell me, anyone? If you do please make it clear during debate.

So my message to this Assembly, sir, is let's get *our* house in order and *our* public finances back on track, let us then give the next Assembly, who will begin in just a few months' time, the platform to build a positive future and grow our economy. We have, quite frankly, spent enough time kicking the can down the road and we are running out of road. I repeat, this cannot wait and it is clear from comments published this morning that our business community strongly agree.

Sir, I look forward to a mature debate.
Thank you.

The Bailiff: Well Members of the States, there are multiple amendments to the Propositions. You have been provided with a provisional running order but I am going to just explain to you what is going to happen initially in relation to the amendments. There is an Amendment 22 which will be circulated to you by the Sheriff now.

Normally, and I stress normally, I would take a Committee amendment first but I am not going to do so on this occasion. Instead the first amendment to be debated will be Amendment 5, proposed by Deputy Parkinson, seconded by Deputy McKenna.

Then in a revision to the provisional order I am going to move to Amendment 3, proposed by Deputy Helyar and seconded by Deputy Mahoney and, if needed, Amendment 14, proposed by Deputy Dyke, seconded by Deputy Vermeulen. At that point we will then turn to the Committee's Amendment 22, thereafter, because Amendment 1, as I understand it, has been superseded by Amendment 2, I will ask Deputy Roffey whether he wishes to move Amendment 2 and then I will ask Deputy Prow whether he wishes to move Amendment 6, then we will go back to the running order on the order paper. *(Laughter)*

Deputy Mahoney.

Deputy Mahoney: Sir, could I just put a motion, perhaps, that Amendment 3 from Deputy Helyar and myself, I suspect the decisions of people is based largely on what happens in terms of the funding that the Assembly does or does not decide to commit to in Amendment 22 and those that follow it. So, if it pleases, could we move that one to after the revenue decisions have been made because, I suspect, it might affect some people's decision on whether they vote to freeze budgets, etc.

The Bailiff: There is no ability to move a motion in respect of that, Deputy Mahoney, because if you look at Rule 24(9) you will see that where there are several amendments relating to the same matter then it is for me, as Presiding Officer, to decide the order in which they are debated and voted upon, that is why I have explained what I have explained, which is that after Amendment 1 we will move to Amendment 3 and, if necessary, Amendment 14 before we come back to Amendment 22.

So I am going to invite Deputy Parkinson to open debate on Amendment 5, please. Deputy Parkinson.

Amendment 5

To substitute the following Proposition for Proposition 1:-

1. (a) To maintain the individual standard rate in the Fifth Schedule to the Income Tax (Guernsey) Law, 1975 at 20% for Year of Charge 2025; and

(b) to instruct the Policy & Resources Committee to investigate a general reform of the provisions relating to the Guernsey taxation of companies with a view to introducing a Territorial Corporate Income Tax for Year of Charge 2026 onwards; and

(c) to run a fiscal deficit (if necessary) for Year of Charge 2025, to be financed out of the Reserves of the States of Guernsey or borrowing as may be necessary."

2. To delete Proposition 2.

(a) and to delete the words "should proposition 1 not be approved, then" from Proposition 2 (b).

Deputy Parkinson: Thank you, sir.

Well, here we go again. *(Laughter)* There is a danger that this debate turns into a re-run of several previous debates and there is a risk that Members may become bored by my speech *(Laughter)* because they have heard it before! **(A Member:** Never!) I am going to try not to repeat myself, I have set out many times in speeches the technical reasons why I believe that we made a mistake as an Island when we adopted Zero-10 and that there was a more sensible corporate tax solution which we could have selected.

For those gluttons for punishment *(Laughter)* they could, if interested, read a full page article I wrote in the *Guernsey Press* last week which sets those arguments out. Some Members, at least, will be pleased to know that I am going to spare you a reading of that article on this occasion; instead I really want to focus on the big picture issues, not the technical details around corporate tax.

What I want Members to focus on is the damage that Zero-10 is doing to Guernsey. It not only blew a hole in our public finances, a hole which has not been repaired and which we are still struggling to fill, but it also shifted a large part of the cost of Government onto the shoulders of individuals resident in Guernsey and that, in practice, means mainly the middle class.

It has made Guernsey a more expensive place to live and this is now driving people away from the Island and worsening our demographic problem. Many of the people who are leaving are our children, our young people, and many of those who have stayed here are having fewer children because couples need both incomes to survive. So Zero-10 is worsening our demographics and fundamentally, at the end of the day, destroying our community.

But it does not stop there. Zero-10 has not only undermined our corporate tax base, it has also undermined our personal tax base. Unfortunately, many high earners are using companies to shelter their incomes from Income Tax. So the burden falls more heavily on the middle class who, generally, do not use and cannot use that sort of planning and they, rightly, feel this is unfair.

People in general in Guernsey, in my experience, do not mind paying 20% Income Tax, **(A Member: Hear, hear.)** they think that is a fair rate, but when they know that there are multi-millionaires who live in Guernsey and do not pay any Income Tax at all, the public know that is not fair. This abuse is made possible by the zero rate and there is no justification for it.

Companies which do business in Guernsey should pay their tax here. **(A Member: Hear, hear.)**

The public are incensed by this. Deputy McKenna and I made a 90 second video about this and posted it on Facebook last Tuesday. In the one week since then that video has been viewed more than 135,000 times. It has gone viral, not just in Guernsey but, interestingly, it has caught on in Jersey too. The people of Guernsey will not put up with this situation much longer, we have had thousands of messages of support. The States must have the backbone to say, this has to stop. We must, at least, be prepared to investigate replacing Zero10.

Now I need to address a couple of points that will, no doubt, come up in debate. Firstly, that it would take time to introduce a Territorial Corporate Income Tax and we have a deficit in 2025. I will place on the record now that I intend to support Deputy Dyke's amendment when it is laid, but there are other ways of dealing with the deficit next year including just spending reserves and other Members may have a different approach to that.

I will give my reasons for supporting Deputy Dyke's amendment when it is laid because that amendment is not currently in debate but suffice to say that I was the last and, I think, only Treasury Minister to introduce a financial transformation programme which took £27 million out of baseline budgets 15 years ago. All I need to say at this point is that I think it is high time we had a FTP mark two **(Two Members: Hear, hear.)** and that I would be keen to support it if such a programme was launched. I believe economies can be made through artificial intelligence now which were not available then.

Secondly, Members may have read a letter from GIBA and, indeed, I understand there is something in today's *Press* outlining their objections to my proposals and I want to say this, Guernsey welcomes good businesses, good quality businesses that want to come and establish themselves here and make a fair contribution to the cost of this community. But it does not help us to host businesses which do not want to make a fair contribution. In fact, it damages our own industries.

The argument that companies in the latter category benefit us by employing people who pay taxes is specious. We have more jobs than people. Another employer coming into this Island and taking, perhaps, hundreds of new employees does not help us; all it does is drive up the cost of labour and drive up the costs, making Guernsey a more expensive place to do business.

We would have been collecting taxes of the income of those employees whether the new business came to Guernsey or not and in practice what we are talking about when businesses do come here with the aim of paying no taxes is the difference between companies owned by residents and companies owned by non-residents.

Companies owned by non-residents, effectively, earn income in Guernsey tax free, or they may be earning tax free or perhaps paying the 10% rate, but when they pay dividends out to their non-

285 resident shareholders those shareholders are not liable to tax in Guernsey. Whereas if the
shareholders are resident in Guernsey we may hope, eventually, that the profits of the business will
be distributed to the resident shareholders and we will collect some tax on that income.

What this does is it gives an unfair competitive advantage to businesses owned by non-residents
and eventually they out compete the businesses owned by residents and drive them out of business.
I am very well aware of this because my own professional career was built in the fiduciary industry,
290 where I started a company which became quite large and back in those days most of the major
fiduciaries on the Island, there were lots of major fiduciaries which were owned by residents of
Guernsey. All of the shareholders in my business were Guernsey residents, it was a partnership and
we paid 20% Income Tax on all of the profits of that business.

Now, today, almost none – in fact I would go further and say none – of the major fiduciary
295 businesses in Guernsey are owned by Guernsey residents. Basically, the tax system is so slanted
against Guernsey-owned businesses that they have become extinct in my sector. Ad that is
damaging for Guernsey, not just because we lose potentially eventually 20% Income Tax on the
profits of the business, what is worse is that these businesses are now jurisdictionally agnostic. They
do not care whether the business that they attract is located in Guernsey, Jersey or the Cayman
300 Islands because they probably have offices in many of our competitor jurisdictions and they will
make their money wherever the business goes.

Back when I was in business I and my colleagues were competing for business out in the market
and there was only one place we could put it, we were based entirely in Guernsey, we were battling
for Guernsey and these companies are no longer battling for Guernsey they are moving business
305 around and, unfortunately, due to issues like air connectivity, etc., the business is tending to go
elsewhere. (A Member: Hear, hear.) Consequently, our financial services sector is shrinking. All of
these consequences flow from the fundamental structural problem that businesses owned by
Guernsey residents cannot compete and that is a situation that we, in this Assembly, have created
or maintained. It has to stop.

310 So I repeat that Guernsey does welcome good businesses and we are not enemies of GIBA.
Ultimately we should all be battling for the same side, but GIBA needs to understand that the tax
system which they favour and which actually does not offer a competitive advantage over a
territorial tax system, is undermining the finance industry in Guernsey, their own industry.

Finally, sir, in the run up to this meeting it has become apparent, I think, that the bodies of
315 opinion in this Assembly are coalescing into two camps – something I did not entirely expect but
which I suppose was foreseeable to an extent. We have, on the one hand, people like myself who
believe that the structural problems of Zero-10 need to be addressed in the long term and that in
the meantime we simply have to cut our clothes to fit our cloth and there is now an emerging
second camp which believes that we need to increase taxation on the middle classes and maintain
320 the upward trajectory of public expenditure, which grew significantly under the last Policy &
Resources Committee, as Deputy Trott has explained.

I believe that the public are massively in support of our approach and I think if the Members of
this Assembly chose the other approach, unfortunately, the Assembly – well, not this Assembly but
the next one – will be re-debating all these issues in eight to 12 months' time and the same
325 problems will be on the table. We will have failed to address the fundamental issue and I am afraid
to say that many of the Members who might have supported the tax and spend coalition in this
week's debates will probably not be in the next Assembly to re-debate this subject in the next 12
months.

Members have to listen to the public, we are people's Deputies and the public are absolutely
330 incensed by what is happening to their Island. Sir, I look forward to the debate with interest but I
really hope that, at last, this Assembly can grasp the nettle and tackle the problem at its root cause.

Thank you, sir.

The Bailiff: Deputy McKenna, do you formerly second Amendment 5?

Deputy McKenna: I do, sir, and if I may speak when allowed.

The Bailiff: If you wish to speak next I will call you. So, Deputy McKenna.

340 **Deputy McKenna:** Thank you, sir.

Well, Members, I do not have vocabulary or the eloquence of Deputy Parkinson but I very much appreciate the friendship of a Cambridge graduate. Sir, this amendment is only to investigate, to look at, to explore. In no way does it say implement or you should or you must; it says investigate, explore.

345 Speak with Jersey, speak with the Isle of Man, as one of my old university professors used to say, press the flesh. We need to go and speak with Jersey and the Isle of Man and say: is this a possibility; may we explore this option? You cannot tax a nation into prosperity. That is not my saying that was a saying of Winston Churchill, 'You cannot tax a nation into prosperity.'

350 As Deputy Parkinson pointed out, our children are leaving the Island. You cannot tax a generation that is no longer here and when people say how many are leaving the Island? Well, a gentleman told me there are over 500 Guernsey people in the Guernsey Portsmouth Society. Now not everybody who lives in Portsmouth is in the Guernsey Portsmouth Society but how many people from Guernsey are elsewhere? I have two sons, one is going to New York the other one is going to somewhere, I think it is Carrick or something, some MoD base, I do not know, I have not got that far.

355 We are in trouble. I honestly believe what Deputy Parkinson is saying, please explore; investigate, that is all this amendment says. Please investigate. If Jersey and the Isle of Man turn round and say we do not want to play well then that is another subject or another conversation for another day but surely we have got to, at least, look at it.

360 Thank you.

The Bailiff: Deputy Ferbrache.

365 **Deputy Ferbrache:** I must say I thought that the opening speech of Deputy Parkinson was truly excellent and I also thought the remarks of Deputy McKenna, he may not be a Cambridge graduate, but he has got the lilt of the Irish and I thought his speech was very good. In relation to where we are, we are in a parlous financial position (**Deputy Trott:** Hear, hear.) and Deputy Parkinson has said, he was like the prophet in the desert really, he said for years and years two things; he said firstly, in no particular order, 'Pillar 2 is going to give us more than £10 million, all those who say it is only going to give £10 million are wrong.'

370 Now, he said that thousands of times and I did not believe him, not because I was questioning his integrity, I would never do that, but I thought I had heard from all these other experts including the Treasury people that are advising us now, that he was wholly wrong. He was in a very small minority, he might have been on his own, Deputy McKenna might have agreed with him, but there were many who disagreed with him. He was absolutely right.

375 I know the money is not in the bank and I will say more about that when we come to a different debate later in this Assembly, but he was right about that and he is a person – I know him, I have known him for a long time – of considerable professional reputation and skill and I will come to one issue that he talked about in due course.

380 The second point that he has been saying is that we have got to look at other avenues of income, that is what he is saying. But where I do disagree with him and Deputy McKenna is the wording of the ... Deputy McKenna says this amendment simply looks to investigate, if it did I would wholesomely support it because we must be looking at every particular avenue that we can. But actually what the amendment says at 1(b) is:

385 to instruct the Policy & Resources Committee to investigate a general reform of the provisions relating to the Guernsey taxation of companies with a view to introducing a Territorial Corporate Income Tax for Year of Charge 2026 onwards;

So it is starting an argument with a conclusion instead of having research and saying, let us do the research. If it said 'investigate' then I would have been supporting this wholeheartedly because we need to have all our options open. Now I feel a bit like – well I was not, there were five of us actually – I feel a bit like a prophet in the desert because I, Deputy Mahoney, Deputy Helyar, Deputy Murray and Deputy Le Tocq were telling this Assembly for the whole duration of this Assembly until December of last year that we were in a parlous financial position and we needed to make changes.

This Assembly time and time again did not have the guts (**A Member:** Hear, hear.) or the courage or the backbone (*Interjection*) to make those changes. So when I hear now that we are in a parlous financial position I agree with what I thought, again, was an able opening speech by Deputy Trott and I agreed with most of what he said.

We are £100 million short he said – I think that is the figure he mentioned. (*Interjection*) That was the figure I had in mind. Deputy Gollop – I am not asking him to do it now because I have no doubt he will make a number of speeches during the course of this week, but Deputy Gollop – will recall that he and I had several conversations where we both thought we needed an extra £100 million a year or two ago for extra revenue, and we were probably the only two in the States that would have stood up and supported that. I thought we should have increased our proposals more dramatically last year. It does not matter, that battle was fought and those battles were lost.

I am not going to go into whether Deputy Trott and others were right about Zero-10 or Deputy Parkinson and others were right about territorial tax, that battle has been fought and we are where we are now. What is clear is exactly what Deputy Parkinson said and he is 100% correct, in that, effectively, and people are a lot cleverer than me ... I know Deputy Trott talks about his commercial and corporate experience, Deputy Parkinson talks about his, I have actually been a director of a merchant bank, I have been a Chair of a building society, I have got a fair bit of corporate experience myself over the last 40 years or so, but what he says is correct: effectively in 2008 or thereabouts we were saying, because of outside pressures that we could not resist – that was the point, because we have lovely surpluses but we were told by outside forces that we could not resist – that we had to change our tax system. That is why it was changed and we lost £40 million, £50 million, £60 million a year. That was the surpluses when I was in the States, a Member of Advisory & Finance from 1997 to 2000; that money has gone. So Deputy Parkinson is absolutely right. The people who have been paying that tax, by and large, are the middle class of Guernsey. He is absolutely correct in that regard and I think that territorial tax will come in in due course, I just think that saying you are having an enquiry to look at it and then it will be implemented in 2026, you have got the exact words I have read them from the amendment.

Deputy Parkinson and I grew up, really, in the finance sector over the last 40 years in the sense that we both experienced the same. In the 1980s and 1990s and probably early into the 2000s most of our fiduciary businesses were owned by local people, by people who lived in Guernsey, who paid their taxes in Guernsey, who only had the best interests of Guernsey. That was the same in my profession.

In my profession now most of the major law firms are, to use the phrase of Deputy Parkinson, jurisdictionally agnostic, they do not give a cows' fig (*Laughter*) about the benefits of this jurisdiction, they will go anywhere where the money is. They will go anywhere that suits them, that is exactly the same with our fiduciary industry, he is absolutely right.

He led – I can mention it because he is too modest to say so – and built up Praxis which was one of the biggest, most innovative fiduciary providers of its era. It is still an excellent financial institution but it is not owned by Guernsey people to the same extent it was when Deputy Parkinson was around X number of years ago. That is the same with nearly every financial fiduciary. There are one or two, they are not the big ones, but there are one or two that are owned locally but they are not the big ones.

I give way to Deputy Trott, I apologise.

Deputy Trott: I know for a fact, sir, that Deputy Ferbrache would not wish to mislead the States. My understanding is that today Praxis is majority owned by a Guernsey resident.

Deputy Ferbrache: I accept that. Deputy Trott has done the research, I accept that. As a general point though, Deputy Parkinson's point is right: overwhelmingly most fiduciary business are owned by people who live outside of this Island. It is like football matches; Deputy Trott and I share the common interest of Tottenham and Tottenham win more home matches than they win away, I just wish they won more matches generally. (*Laughter*)

In relation to where we are, we are a parlous, parlous, parlous; we have got no room to manoeuvre. I will be saying other things in due course later on in this Assembly in relation to where we are. So I have got every sympathy and I commend, and I sincerely commend, Deputy Parkinson and Deputy McKenna. I note they have had all those hits and with great respect to them it must be the content of their video because Paul Newman and Robert Redford they are not, (*Laughter*) but the points they have brought forward have been sensibly brought forward and I am grateful to them for so doing.

The Bailiff: Deputy Gollop.

Deputy Gollop: Well I think I agreed with most of what Deputy Ferbrache said, including the references to me. I think maybe though I know Deputy McKenna is a boxing champion and Deputy Parkinson is a literary champion so maybe they are the new Butch Cassidy and the Sundance Kid (*Laughter*) or the Sting – well not the Sting, that was a bit naughty that film.

I sometimes like to support all of the amendments in the spirit of consensus but I cannot necessarily do that today although I did vote for the Parkinson-McKenna groundhog day versions of this at least once if not twice before. But I will explain my reservations today and it is not just because I am on Policy & Resources but I have the benefit of their insight. I am not necessarily the official spokesman for them on this or other amendments but I very much support the team.

Deputy Ferbrache hit the nail on the head, when we look at Proposition 1(b):

to instruct the Policy & Resources Committee to investigate a general reform of the provisions relating to the Guernsey taxation of companies with a view to introducing a Territorial Corporate Income Tax for Year of Charge 2026 onwards;

Now, actually, I understand enough about Policy & Resources to know it is like a think tank. We have teams, not just our Members, who include people who have been accountants, who are accountants, who work with Guernsey Finance who regularly talk to Ministers in London and everything else. But we have a professional team who, actually, they are working all day and all night at times and they are constantly reviewing where we are and I do not think I am speaking out of turn if I said that if we had a general global offshore commitment from other Crown Dependencies and places that they were all changing Pillar 2 we would actually constructively look at things.

Some of this may be a question of timing. Deputy Parkinson was probably ahead of his time on Pillar 2 and other things, FTP, and he is ahead of his time now but we cannot jump the gun and Proposition 1(b), if passed, would not just be investigating which, as I have said, we do anyway and I am supportive off, but it would be giving an implied resolution that we had a view to introducing a Territorial Corporate Income Tax and I do not think we can do that, nor have we got enough information to do that today.

I was shaken the last time I backed this amendment I walked out and a few days later I was invited to a lunch, which I went to, because I wanted the lunch I think, (*Laughter*) in a finance sector institution I did know about, they did captives and they were not pleased that Members had supported this kind of amendment because for them it sent out signal of uncertainty (**A Member:** Hear, hear.) of potential decline in business, potential discouragement to move and, actually, we do not want that, we have had it before in the property market in the past and other things when we set rabbits running and we do not want to do that.

Deputy Parkinson's eloquence in a way makes the argument against his propositions as well as for because he made the point that Deputy Ferbrache partly contradicted and I am sure Deputy Trott will as well, that many of the leading players in today's offshore financial and legal sector are

non-local and it is less local than it was in the good old days of Pannell Kerr Forster and many others.

490 I think broadly that is true but precisely because it is less local and more globalised with more branches around the world means that if we jump, we change and other places do not they are even more likely to move than if they are Islanders rooted and batting for Guernsey all the time. I think he is right that, for some reason – Deputy Inder noticed the same thing, so did others of us – there has been, according to statistics – they do not necessarily tell you everything about who is
495 working in professional services, but there has been – curious drop in the number of people working for finance. It could be the level of people working has got higher level and more substantial but in numbers, maybe they have been replaced by AI, I do not know, but already we are losing people.

Where the finance sector is so useful to us and its associated industries is it is providing employment, it is providing income, it is providing ETIs, it is providing Social Security and so even
500 if the owners are not based here the people who are working and living, and probably writing GIBA letters to us and other letters, are locally based here and that is important.

Another part of this amendment, that is rather irresponsible, is to run a fiscal deficit if necessary to be financed out of reserves and there is also a little phrase that could have come out of, I am tempted to say the labour party manifesto but it sounds a bit odd for Guernsey, under 2(a) the
505 Propositions contribute to the States' objectives and policy plans by improving public finances and promoting a fairer society.

Well that is always subjective and, of course, where Deputy Parkinson has a point I am amazed that he has got this amazing impact with the video that it has got, literally, hundreds of thousands of people watching it. I have not had hundreds of thousands of people contacting me to support
510 this but what I have had are some people like, for example, a retired civil servant who does other things nowadays who says, as Deputy Parkinson said, Guernsey people are losing their birthright and his objection, on this occasion, was not to the Zero-10 structure *per se* but it was more to the fact that there is a tax cap, that Deputy Le Tissier has raised in previous debates, that he would like to be higher and I pointed out in terms of Social Security it is quite high.

Now, there is a voice, perhaps a minority voice, of dissatisfied Islanders who are still not happy about the way the tax is distributed and there are people who are leaving the Island. But I would say that is more down to a combination of high costs, lack of affordable housing and lack of career structures rather than the Zero-10 issue because many of those people work, or could work, in organisations which benefit from, in a sense, the corporate tax regime.

520 I found Deputy Parkinson's article very interesting – and conversations too, as they always are – but one aspect of his article that went beyond me, I think ... I did not go to Cambridge I went to Canterbury but we will not go into that. I did attend a Fabien conference at Oxford University once but that is going off the point.

The point that he made, he was saying if we had a territorial regime where we taxed on profits
525 of international companies that work in Guernsey and you could give oil companies, hotel companies not just finance companies as examples, that would benefit us. But I thought to myself we are always looking for substance, we are always looking for BEPs and the brainy and able people working in Guernsey rather than elsewhere. There might be a temptation there for certain entities to not do some of their taxable work in Guernsey precisely because they would have to pay for it
530 on the Island. So I think that argument goes in that way as well.

His most powerful argument, that made me squirm a bit, is he said we are in two camps here, those who want to tax and spend with one kind of taxation or another and those who want austerity, perhaps, or look for alternatives. He talked about taxing and spending for the middle class. Well I would argue, actually, that an increase of 2% in Income Tax and/or other forms of taxation we might
535 discuss later, they do, to a degree, target the more affluent in society. Those people will actually pay more, so it is not just the middle class.

The problem I have is, as much as I would like to be a Labour chancellor making the pips squeak and all the rest of it, we cannot afford to do that in Guernsey. We need high net worths, we need VIPs. The people who come here to settle as entrepreneurs or in the Open Market or people who

540 work in the upper reaches of the corporate sector, they pay more than their fair share not just in taxation but in terms of economy, in terms of spending, in terms of employing people, in terms of generating dimerism.

If we went down the route of following everyone else with taxation, become like the European norm, we would become poorer than West Lancashire, Cornwall, many other places, we really would struggle. Guernsey's success is not just based on the industry and ability of its people, it is based on the competitive tax position we have enjoyed for at least 60 years and because of that we have to tread very carefully indeed and not make commitments that could undermine, however well meaning, the corporate sector, potential investors and encourage, unduly, our competitors. So I, therefore, with reluctance, vote against this amendment.

550 **The Bailiff:** Deputy Burford.

Deputy Burford: Thank you, sir.

555 Just two brief points. Over the 15 years or so since Zero-10 was introduced, Deputy St Pier, who is not here today, has stood up in his various roles in this Assembly to incrementally tell us how much money, how much was regained from the corporate sector by various changes to tax over that period and it would be helpful, perhaps, when Deputy Trott responds in this debate if he could inform us if there is a figure of how much of the corporate revenue lost has actually been regained in different ways.

560 My second point is, I think the proposer and the seconder of this amendment may possibly, and we will find out, be rather ruing the wording of 1(b). As I read it, I would be supportive of an investigation. I think this is one of those things that has gone round the houses for so long that, perhaps, that would not be such a bad idea and the way I read it, 'with a view to introducing' has to be dependent on the first clause here because if that investigation showed this to be the worst idea of all time I cannot see them proceeding with that introduction and I see Deputy Parkinson nodding his head.

565 However, the fear that I have is that nuance will not extend outside this Assembly and I think that is where the danger lies (**A Member:** Hear, hear.) so perhaps a slightly different worded amendment would give me more comfort but on that basis I will listen to the rest of the debate but that is where my concern lies.

570 Thank you.

The Bailiff: Deputy Inder.

575 **Deputy Inder:** Thank you, sir.

One hundred and thirty-five thousand views is impressive. I had no idea Deputy McKenna's family was so large! (*Laughter*) I do have sympathy with Deputy Parkinson and Deputy McKenna's position. When we started our businesses, pre Zero-10, the tell-tale of a good business, admittedly local business, was the employment of real people on the books and the payment of Corporation Tax at the end of the year. That was a good thing; we must have done something right.

580 Before CSR was a thing, what we now call Corporate Social Responsibility, the responsibility of local businesses employing people, paying their ETI, their social insurance and profits on tax made you a decent business. For me, as someone who has built local businesses, employed and trained Guernsey folk, I entirely hear him and Deputy McKenna.

585 But Zero-10 changed all that and I remember sitting in a room pre Zero-10 or around the time it was being implemented with the then President, I think it was the Board of Administration, and I asked her directly, so if the States rate tax at zero who pays for the nurses? I do not remember the response to that but it was clearly unmemorable. (**A Member:** Hear, hear.)

590 Deputy Ferbrache has covered off the effect of the Propositions and I think Deputy Burford has as well, slightly. The only thing I would add is that not only does it, I think it was 1(b) that says, 'to

investigate general form of the provisions relating to taxation with a view to introducing,' I would give a word of caution, I think Deputy Burford slight touched on this and others may do.

A lot of our world is about confidence and messaging. The effect of 1(a) immediately limits the much needed revenue required to run public services, as Deputy Trott mentioned in his speech, because effectively it replaces. Proposition 1(b) sets Guernsey down a path to introduction and, to my mind, that sends a strong message of direction and I am concerned about the risk of flight. I genuinely do not know, and others may tell me, what that messaging means. If you head down a road to investigation with the ultimate desire of implementation what does that mean between now and the implementation? What risk of flight – and others may be able to respond to that, possibly Deputy Trott.

Deputy Parkinson also said that he believes there is mild shrinkage in areas of the finance sector and I would suggest that a political steer towards something business may not like may only increase that. Then, of course, 1(c) is to run a deficit; I am not a huge fan of that.

So Members, sir, I genuinely commend Deputy Parkinson's decency and Deputy McKenna's decency and sentiment because I do not entirely disagree because it is not a world I came from; I came from a world where you employed people, you paid your tax, that meant you had a good business. Sir, in my role I cannot send that message to the finance sector and to that end I just cannot support this amendment.

The Bailiff: Deputy Dudley-Owen.

Deputy Dudley-Owen: Thank you, sir.

I thank the movers of the amendment for their perseverance and tenacity and, certainly, that cannot be denied with Deputy Parkinson who has banged this drum for many years. It is not unreasonable either, why would it be, it is a perfectly reasonable proposition it works, obviously, in places like Hong Kong.

The problem that we have, that I see, is that we have agreed to work in lock-step with two other jurisdictions around our corporate tax regime (**A Member:** Hear, hear.) and it would be really useful, I think, during the course of this debate to get an update on the progress that is being made by the Tax Sub-Committee which, I believe, that Deputy Parkinson sits on and also Deputy St Pier who, as people have pointed out, is not here today, but I think that for the Assembly to hear what progress has been made, the tenor of the conversations, this must have been raised by Deputy Parkinson behind those closed doors and, actually, one of the things we often fall foul of in this Assembly is not, as an Assembly, having regular updates about these type of things. I mean the £100 million shortfall, which is gargantuan and I think is a surprise to us all, it would have been really helpful for that type of information to be given to States' Members, I think, at some sort of regular finance update behind closed doors and I will speak to that later.

Speakers have spoken to points that I do not want to cover too much but certainly I agree with the sentiment that was raised by Deputy Inder and also Deputy Burford insofar as the wording of this, I think, really does not help with certainty. That is one of our big failings at the moment, is giving confidence to investors in this Island, business in this Island and, as importantly, Islanders in this Island that they have got an attractive future here in Guernsey when we are talking about with a view to introducing things.

Well, no, we want the certainty, people want to know exactly what is going to happen so they can plan their futures accordingly. Whether or not they are particularly ideologically aligned with it, at least they know what is going to happen and they can make their plans and this amendment, I am afraid, 1(b) where specifically, I think, a lot of these arguments are going to go today about this amendment, to me just gives too much uncertainty with a view to ... especially if the out-turn of the investigations appear that it is not favourable to us which, certainly, some commentators from the sectors most affected are telling us.

Two other things that I really want to address are around views that the finance sector has left many behind in Guernsey because, I think, that comes out time and time again. There does appear,

and I think there is, a disconnect in the Island between the successes of the finance sector and how Government has geared policies successively over many decades to support the finance sector and then the benefits that have been felt by wider society.

I think that a lot of people in society feel left behind by those benefits and do not, possibly, directly correlate the business success that they enjoy, or not, that bought to the wider economy by the finance sector. And it is a truism that there is a ripple effect felt by the success of the finance sector by the boom that we have had through the 1980s and 1990s and then, obviously, the support services in legal services, in administration services and advertising, even down to self-care and health services because people have had the money to be able to afford to spend on those – hospitality, for example.

So I do not think that we make enough of the ripple effect and the trickle down but, clearly, people do feel disenfranchised because there is a growing gap between the haves and have nots in the Island and we have not done enough to support those people who are less well off. We have not done enough, maybe, to communicate the benefits that we have been able to attribute to them.

But, local Guernsey people have felt left behind at various junctions in time, whether it be having the stamp in their passport to say, 'No, you cannot work in the EU,' to not feeling the benefits that they feel that other people have been attributed to by dint of either housing licences in the previous regime or now long-term employment permits in this regime where people are able to bring dependents in and Islanders are feeling, 'Well, how can we support a lot of these people coming when we cannot even find support for ourselves?'

So I think we have got to be very careful about the narratives that we push out around the importance of the finance industry but also how it can benefit Islanders; but how we in this Assembly start to ensure that our policies are really supporting the less well-off and I will be able to illustrate that more when we speak about amendments to the forthcoming, such as those to freeze the budget or to cut the budget brought by Deputies Helyar and Mahoney and Deputies Vermeulen and Dyke later and how those will really hurt the less well-off in our community.

So the other point that I wanted to speak to was raised by Deputy Parkinson around the Financial Transformation Programme and he spoke about how this took £27 million of the baselines of the Committees at that time. Now, I do not know where Deputy Parkinson stands on this but my own view is, having come in quite some time after that, it is not something that I think we should be resoundingly proud of, because whilst it made the baseline cuts what it did was it actually has had far reaching and detrimental consequences that successive Committees and Governments have actually had to make some remediation for.

Certainly I can speak to our own experience on Education, Sport & Culture and possibly Deputy Brouard, who actually had the benefit of being in the States at that time during the Financial Transformation Programme now sitting on Health & Social Care which has a significant amount of estate to run, may also have felt those effects that the Education real estate has been significantly affected by the cuts from the Financial Transformation which forced Committees at that time to albeit cut everything other than what was required through the legislative requirements through health and safety and we have been having to try and remediate that and have seen the effect on our schools of not having the investment when they actually needed it.

So, whether or not that was intended by Deputy Parkinson when he brought in the FTP, and others, but that was the real world effect on our children in the classrooms not having adequate maintenance schedules put in in previous terms which we have had to run to catch up with this term which we were supported by the previous P&R being able to invest in Education's estate. So, it is better now but many years of lack of funding into maintenance has taken its toll. So I just wanted to raise those points in response.

I really do want the Territorial Corporate Income Tax to be reviewed and to be researched but I am afraid that 'with a view to introducing' really does turn me off supporting the amendment. So if there was a way that we can bring in additional wording and try this again with a more open mind –

I will give way to Deputy Parkinson.

695 **Deputy Parkinson:** Is Deputy Dudley-Owen suggesting that we just review our tax system?

A Member: Yes. *(Interjection)*

700 **Deputy Dudley-Owen:** No, Deputy Dudley-Owen, Deputy Parkinson, is suggesting that the wording here leaves such an open door to business that there is no certainty for them to have confidence in what the Government is going to be planning. Because if, as Deputy Burford has pointed out, an investigation to investigate a general reform of the provisions relating to Guernsey taxation of companies with a view to introducing a Territorial Corporate Income tax, if that investigation shows that Territorial Corporate Income Tax is absolutely not the right thing for this Island then why would we be seeking to introduce it in 2026?

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Deputy Burford: Point of correction.

The Bailiff: Point of correction, Deputy Burford.

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Deputy Burford: Sorry, just for clarity I think what I wanted to say – perhaps, hopefully, what I said – was that I think if those investigations showed it to be a bad idea I did not assume for a minute that P&R or the Assembly would go ahead and increase it. My concern was very much around the fact that if this amendment is passed today the wording of it will send the message out to the wider community that that is what will happen and I think it is that nuance which is being lost.

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Thank you.

The Bailiff: Deputy Dudley-Owen.

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Deputy Dudley-Owen: Thank you, sir.

Different words, exactly the same narrative behind them in terms of my intention. Thank you very much, Deputy Burford, for clarifying what you said but I was saying exactly the same thing. So, yes, that is the reason why I could not particularly support this amendment.

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Thank you.

The Bailiff: Deputy Dyke.

Deputy Dyke: Thank you, sir.

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I thank Deputy Parkinson for bringing this amendment. I have seen the video twice, it is utterly brilliant! *(Laughter)* I think Donald Trump would be green with envy at the presentation. *(Laughter)* It was very good. We have debated this a few years ago and I remember supporting Deputy Parkinson, so I think him for bringing this again.

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Just to start, in terms of what this amendment actually says in paragraph (b), 'to instruct the Policy & Resources Committee to investigate a general reform,' blah, blah, 'with a view to implementing it in 2026'. Well, if you are investigating something it is always with a view to something, so it is just expressing what 'with a view' is but it is quite clear to me that it means just that, to investigate it and anyone in the finance sector that can read a document I would have thought would read it like that.

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So I do not think this is committing us to do it, it is committing us to investigate doing it with a view to bringing it in, but if we do an investigation and decide it is a terrible idea then we will not do it. I have spoken, at length, with Deputy Parkinson on this and what is clear is that it needs a very sharp analysis, a very granular analysis of how this will affect individual tranches of our finance sector down to and including individual companies. The point being that some companies will, in fact, by paying a territorial tax here have that set off elsewhere up the corporate chain and they will have no net tax to pay overall in terms of the group.

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Clearly, this does require detailed analysis. I think Deputy Parkinson is, probably, one of the smartest guys in the room (**A Member:** Hear, hear.) and it is probably very sensible for him to lead on this but it strikes me as, in principle, something we should spend our minds on, spend time on and investigate thoroughly.

This type of tax system is known in other successful jurisdictions, Hong Kong, Singapore, so it brings us in line with them. I agree it takes us out of line with Jersey and the Isle of Man but one of the conversations we can have during this investigation is with Jersey and the Isle of Man. Obviously we do not want to get this wrong, we want to get it right. So that would be the intention of all of this.

At the end of the day if a company does not like and just wants a jurisdiction with no corporate tax then they can go to the Cayman Islands because there is no Income Tax or Corporation Tax there. So we have our niche, the question is would this proposal if implemented damage those businesses in our niche and that is what Deputy Parkinson, I hope, during this investigation with P&R would be looking at, thoroughly, in consultation with Jersey and the Isle of Man, who may bring some more ideas to the table. So I would strongly support this proposal and I think it is a very good one and, again, I think Deputy Parkinson for bringing it.

Thank you.

The Bailiff: Deputy de Lisle.

Deputy de Lisle: Thank you, sir.

The rationale here is that Zero-10 is failing the Island and an investigation has to take place, in my view, and has to have a view forward of some type in order to justify that particular review. But also there are different models of territorial tax, at least four, and the review body can consider the various options but it can also bring out some form of partial solution to the problem with Zero-10 at the current time.

Deputy Ferbrache and Deputy Trott talk about the £100 million shortfall but I would turn to them and say if we had not, in 2008, gone a year ahead of Jersey we would have that £100 million. So I agree with Deputy Parkinson of the damage done by Zero-10; it has shifted a large part of the tax burden onto the middle class and made Guernsey a more expensive place to live and has driven people away from the Island. In fact, when you look at what is happening at the moment it is destroying our community.

So the majority of Income Tax is currently collected from individuals and that places a heavy burden on personal Income Tax since that Zero-10 was introduced. In fact, if we look at the States' Accounts, that of 2022, for example, showed that 82.5% of Income Tax was collected from individuals and only 17.5% from companies. So that places a very heavy burden on personal Income Tax onto the individual.

So I maintain that the fiscal deficit has actually risen as a result of the Zero-10 policy brought in in 2008 and the way to deal with the physical deficit is to return to a pre-Zero tax policy system. And I call on Members to support this amendment to investigate and explore this option with a view to change in the future.

Thank you, sir.

The Bailiff: Deputy Blin.

Deputy Blin: Thank you, sir.

I know we are one and a half hours or so in and have got a lot to go through, so I am going to keep it fairly short but what I would like to do with my speech here is I have got a few questions which I hope that Deputy Parkinson can answer specifically on summing up because I too, like others, believe that the idea of the investigation and looking into it, it is the right time to do so but, like Deputy Burford said, there is the element of what this will be perceived outside.

What I would like to ask specifically is if he could talk in summing up about the non-corporates, the businesses and how the effect will be on trading companies and businesses, of the impact there or the aspects there because it will be the same but the impact is going to be high. The other question I would like to ask, or if you could include, is it says in the 4(1) information:

the Propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications

– and I would like to know what measures, what has been brought up, have any pointers been brought up in that, any specific legal challenges or constraints identified during the submission of this amendment. I appreciate it is early to know on the other side.

The other part is it goes back to where it states on (d):

The financial implications to the States of carrying the proposal into effect are the use of staff time ... implementing a Territorial Corporate Income Tax is estimated to be between £1.5 and £2 million ...

– with, obviously, revenues in the tens of millions. So I would just like to have an indication of how this can be justified and what sort of time lines he would expect this to become revenue positive because that is a key part of it as well.

Also, I would like to just point out one other comment because a lot has been said on Zero-10, there is the talk of the timing of it and the impact, but meanwhile we have had a very successful Guernsey Finance and everything and we have had a lot of companies in the Island, so there has been a lot of success brought with Zero-10 as well, its time has possibly come to an end. The other aspect is, if in the investigation we look at the other jurisdictions, we will be looking at the Isle of Man, Jersey, etc. how will this be reported back to us, the Assembly, the timeframes and delays? I would be appreciative if some of that could be used in the summing up.

Thank you, sir.

The Bailiff: Deputy Le Tissier.

Deputy Le Tissier: Thank you, sir.

I will say up front I am probably going to support this amendment and why is that? Well, apart from the general comments, which I agree with, Section 2, as Deputy McKenna points out, is not a request to establish a territorial tax. It does not say that, it says it is an investigation. Now Deputy Ferbrache says he would have supported this amendment if it did not specify the outcome.

'With a view,' it says. Well, during the early part of this debate I looked up the meaning of those words in the Collins Dictionary, it actually says, 'if you do something with a view to doing something else you do it because you hope it will result in that other thing being done.' It is hope, that is it. The amendment hopes that the review will show that territorial tax is suitable but it is not a given, it is up to the review and the conclusion it comes to and it does not tie the hands of P&R.

So I think the Assembly needs to put the concerns aside, with a view, because it does not mean, actually, what you think it means and in business everyone would understand what 'with a view' means. Earlier speakers have said that – and I paraphrase, please interrupt me if I get you wrong, but some speakers have said – we cannot investigate tax changes as it leaves uncertainty for companies. Well, if that is the case we can never do anything, any investigation and that is plainly absurd. So I would say for once, grasp the nettle, be decisive and let us be proactive and pass this amendment so we can at least investigate Zero-10.

Thank you.

The Bailiff: Deputy Matthews.

Deputy Matthews: Thank you, sir.

I have supported the concept of corporate tax reform through the introduction of a corporate or territorial tax throughout all the tax debates this term. To my mind this is the solution to the

shortfall in revenue that the States has experienced since the introduction of Zero-10. I am reminded of how different things used to be every time I hear the argument that the States used to run so much better in times gone by when Deputies were unpaid. Sometimes the suggestion goes that if we reverted back to those standards the Island would get better quality Deputies, decisions would be made much more quickly and efficiently and the Island would tick along much more smoothly.

Of course the reality is that in times gone by with the old corporate tax rules the Island had far greater revenues than expenditure to the extent that annual budgets often produced surpluses and difficult decisions were often what to do with the extra money and the answer was often to squirrel it away in a rainy day fund.

So cutting Deputies pay is unlikely to return to those days because times have changed but reform of corporate tax is a more fair and equitable mechanism of raising revenue. For example, whilst GST does raise some revenue from businesses and visitors the bulk of the receipts come from individuals and most of that will be derived from employment. That is to say it will come from the working population. In that respect it is simply a second tax on people's already taxed income.

So that does not do as much to broaden the tax basis, a corporate tax, which is paid by businesses in proportion to their profit. It also resolves one of the gaps in our tax system that has been present since the abandonment of the deemed distribution feature that was present at the introduction of Zero-10. Now, without that, capital can be moved into a corporate structure and sheltered from Income Tax. It is just not fair that some with wealth can make use of this, can live on the Island and not contribute to running the services in the same way the working population does.

It is a matter of regret for me that the structure of this amendment replaces the original Proposition 1, provided by P&R, which would temporarily increase the Income Tax rate by 2 pence and instead suggests running a fiscal deficit for 2025. I acknowledge the immediate shortfall in our revenues and accept the rationale that a short-term solution must be found, I am not convinced that simply borrowing or using up some more of the rainy day fund is the optimal solution.

I would have been happier to support this amendment had it been structured as Deputy Roffey structured his, such that territorial tax could be selected as the long-term solution but a temporary 2p increase could cover the immediate shortfall. Now, I realise that Deputy Parkinson is more strongly of the view that the 20p tax rate is a sacrosanct and should not be increased, even temporarily.

I would not usually be comfortable with accepting such a fiscal deficit even for one year, as a Member for the Committee for Health & Social Care I am well aware of the pressure on services, but I note that unlike some other amendments proposed, this does not suggest any alternation or reduction to Committee cash limits as proposed in the Budget so it is purely a change in fiscal policy. I will wait, with interest, to closing speeches to make my final decision as to the wisdom of running such a large deficit, however, I feel it is important to demonstrate support for the principle of corporate tax reform.

Thank you.

The Bailiff: Deputy Mahoney.

Deputy Mahoney: Thank you, sir.

I do not really know where to begin in terms of some of the speeches we have heard so far. The staggering misunderstanding of how the finance industry works and what would set the horses running and what would not; but I suspect there is just no point, given some of the views that have been expressed, to even go into it, so I will not.

This amendment, by and large, just speaks of investigating so in fact I not only share some of the views I believe it is just investigating rather than forcing it on it, but that said we already are and already have been. In fact that was one of the things that was investigated, territorial tax was investigated at great length by the previous Tax Sub-Committee, of which was myself, Deputy Roffey and Deputy Helyar, and the clear advice, absolutely crystal clear advice, from both Deloitte's and E&Y, the international arms of tax expertise, stated that it would be a disaster to do this.

(Several Members: Hear, hear) That is not me, that is not myself or Deputy Roffey or Deputy Helyar, that is professionals whose job it is to understand this saying that this would be a disaster.

Now, if the 40 Members, or however many there are here today, 36 or something, decide that they have not got a clue what they are talking about and we should all just go with a wet finger in the wind that this looks like a good idea because someone said it then I despair for other decisions that we are going to make – I will probably despair for the decisions we are going to make anyway – (*Laughter*) in the next week.

But any way Deputy Parkinson referenced GIBA's comments and as far as they are concerned, who knows, their opinion at the moment seems to swing like a barn door in the wind; (*Laughter*) let's see what their opinion is tomorrow. Deputy McKenna notes that this is just to explore, but that is already the case, as I have said. We already are; in fact we already have, Deputy Parkinson sits now, I believe, on that Sub-Committee, it has been done already, sir, through you. It has been done already and the findings are there in the file somewhere if someone wants to back them up, from Deloitte's and E&Y; they were with the documents that were posted into the last GST debate and the one before.

I give way to Deputy Parkinson.

Deputy Parkinson: Sir, would Deputy Mahoney care to explain, was this E&Y who were giving this advice the same E&Y who said that Pillar 2 would produce £10 million?

Deputy Mahoney: You are right, they probably were and it will not produce £10 million. He is right and it certainly will not get anywhere near £30 million, we can guarantee that but that is a whole different kettle of fish. Finally, sir, I think –

I give way to Deputy Trott.

Deputy Trott: Thank you.

Once again Deputy Parkinson conveniently fails to compare apples with apples. When Ernst & Young gave the information to the former Policy & Resources Committee it was based on information that was available at the time. There have been significant changes to what has fallen into the scope for assessment and it is those changes (*Interjection*) in assessment that have created the difference, (*Interjection*) it is as simple as that.

Deputy Mahoney: I thank Deputy Trott for that addition there. Sir, just to finish, Deputy Parkinson noted, on a lighter note, that his and Deputy McKenna's video has had 135,000 views. I do not dispute that, in fact I watched it myself, although I must admit out of morbid curiosity, but all I would say is not to get too carried away and remember that the YouTube video Charlie Bit My Finger had 886,000,000 views (*Laughter*) so, sir, just to finish, some people will just watch anything. (*Laughter*)

The Bailiff: Deputy Soulsby.

Deputy Soulsby: Thank you, sir.

I would like to speak first about Deputy Parkinson is talking about having another Financial Transformation Programme. Well, I have seen this from both sides, both when I was Chair of the Public Accounts Committee and then when I was President of HSC, and the impact of it. And, certainly, back in my first term in 2012-16 Public Accounts Committee when I was the Chair, Deputy Dyke was the non-States' Member on that Committee, we did undertake a review of the Financial Transformation Programme and, yes, savings were made but actually questioned how sustainable they were and certainly I do not think closing a long-term care home at the King Edward was the greatest decision in the world, which 10 years on is still sat empty when there is a shortage of care home beds with an ageing population. There you go.

Also much of the so-called savings were increased charges, so I do think before embarking on what was a very expensive, given that several million pounds went out the door to Capita and a very painful exercise for all involved, it is worth finding out just quite how sustainable those savings were in the long term.

Of course that is a bit of a distraction and it is all very well Members saying that they will support this amendment but it does not do anything for the here and now. It does not turn the dial, the estimates are at the moment it might raise £10 million to £15 million but we do not know, it could be more it could be less but it is very dependent on a lot of technical questions and on various agreements that need to be put in place. It will need to pass International Code of Conduct test and, frankly, the Isle of Man and Jersey have made it very clear there is no desire to move the boundaries any further until Pillar 2 is embedded and I think that is absolutely right.

But the point is we actually need the cash now and I do think it is totally irresponsible having an amendment that states:

to run a fiscal deficit (if necessary) for Year of Charge 2025 ...

– but it is not just if it is necessary there is no ambiguity about it, but it will make matters even worse if we end up with this proposition replacing the current one and I really despair if that is all we end up with after days of debate.

I understand, and Deputy Parkinson has really got the bit between his teeth with this approach. In the long run he might well be right, if we got Pillar 2 now it might be something that ends up being the global norm but we are not there now, we should not be first out of the traps to be undertaking it and I do urge Members not to support the amendment.

The Bailiff: Deputy Roffey.

Deputy Roffey: Thank you, sir.

People have talked about the unfortunate message that might be sent out by the wording of this amendment, I think it goes much further than that, I think we might find ourselves in a complete pickle a year or two down the road because I think the most worrying and damaging seven words are the first seven words, 'to substitute the following proposition for Proposition 1'. So any other revenue raising measures are taken of the table.

Now I do not support Proposition 1 as it stands, I have to say, I want to get onto that later on but it would leave the possibility of a territorial tax as the only heavy lifting device left on our agenda today. People have said well if you investigate it and you do not like it then you will not introduce it in 2026. Okay, so you have run a big fiscal deficit in 2025, you decide not to introduce it in 2026 because you do not like what the investigation throws up, where are we then? Another two years down the road with no revenue raising measures in sight.

Now, Deputy Parkinson can justify that by saying he is going to pair his amendment effectively with Deputy Dyke's revenue cutting amendment. I do not think that actually cuts the mustard but I would say to anybody in this Assembly who does not intend to support either the Deputy Helyar or Deputy Dyke slash and burn approach to public finances if you then vote for this you are really steering your vehicle down a cul-de-sac because you do nothing for next year, you may well do nothing, you have all said if you do not like it if the investigation does not throw up the right results then you will not do it 2026, we will be absolutely in a fiscal pickle.

If this amendment had said instead of delete Proposition 1 but substitute, what Deputy Ferbrache and I did with our amendment, say insert Proposition 1(a) to be considered alongside it, I could probably have voted happily to have it investigated. I personally believe that moving ahead of Jersey would be a mistake, whatever our investigation shows, but I have got no problem with investigating stuff, it is usually a good idea.

But it is not just about the messaging I would say to Deputy Burford and Deputy Dudley-Owen, it is actually taking us down a path where in 12 months' time we might find ourselves with no levers left to pull and not only the one year of big deficits in 2025 but moving into another one in 2026.

So that is fine if you can balance the books by absolutely slashing health care, welfare, education and other stuff because that is what will be needed if that is the situation we find ourselves in. There is nothing to stop us investigating territorial tax but the wording of this amendment does it in a highly irresponsible manner.

The Bailiff: Deputy Vermeulen.

Deputy Vermeulen: Thank you, sir.

I was pleased that one of the previous speakers mentioned that Deputy Parkinson might just be right in the future. Now he does have a rather annoying habit of being just right and we have seen that with Pillar 2 and I have followed his career before I was in this Assembly, a very good speaker, very intelligent and with some great ideas.

So I have no qualms about supporting this particular amendment but what I would say to my fellow Deputies is that we are probably going to need two or three irons in our fire to deal with this deficit which is where we currently are and this is a great place to start. So I can support this and I will support this wholeheartedly.

He was good enough to give Deputy Dyke and myself, over a pint of beer, a pre-briefing over his amendment and what it would entail and on top of that they produced a very informative video which I have also seen and enjoyed watching. Deputy Parkinson mentioned that there are other things that we do need to do besides this such as efficiencies, savings and looking at financial transformation. Yes, he is right and more on that a bit later but I would urge colleagues to support this, there is no harm in this, this is an option for us to investigate and I am going to support it.

Deputy Queripel: Rule 26(1), sir, please.

The Bailiff: Well I invite those Members who wish to speak on Amendment 5 to stand in their places please. Deputy Queripel, is it still your wish that I put the motion pursuant to Rule 26(1)?

Deputy Queripel: Yes, sir, please.

The Bailiff: Well, Members of the States, the motion is that subject to hearing from Deputy Trott and Deputy Parkinson there be no further debate on Amendment 5, those in favour; those against.

Members voted Contre.

The Bailiff: I declare that lost. Can we get a motion up please, Greffier? Will you now please open the voting on a recorded vote on the motion by Deputy Queripel please.

There was a recorded vote.

Not carried – Pour 12, Contre 18, Ne vote pas 3, Did not vote 2, Absent 5

Pour	Contre	Ne vote pas	Did not vote	Absent
Aldwell, Sue	Brouard, Al	Dudley-Owen, Andrea	Burford, Yvonne	Cameron, Andy
Blin, Chris	Bury, Tina	Ferbrache, Peter	Taylor, Andrew	Gabriel, Adrian
Helyar, Mark	De Lisle, David	Soulsby, Heidi		Roberts, Steve
Inder, Neil	De Sausmarez, Lindsay			Snowdon, Alexander
Le Tocq, Jonathan	Dyke, John			St Pier, Gavin
Mahoney, David	Fairclough, Simon			
Meerveld, Carl	Falla, Steve			
Murray, Bob	Gollop, John			
Parkinson, Charles	Haskins, Sam			
Prow, Robert	Kazantseva-Miller, Sasha			
Queripel, Lester	Le Tissier, Chris			
Trott, Lyndon	Leadbeater, Marc			

Matthews, Aidan
McKenna, Liam
Moakes, Nick
Oliver, Victoria
Roffey, Peter
Vermeulen, Simon

1035 **The Bailiff:** So on the motion pursuant to Rule 26(1) there voted in favour 12 Members, 18 Members voted against, 3 Members abstained, 7 Members did not participate in the vote and, therefore, that is why it was declared lost.

Deputy Leadbeater.

1040 **Deputy Leadbeater:** Thank you, sir.

Financial issues that the Bailiwick are experiencing came largely from the changes that were made to our corporate tax system as has been clearly and repeatedly articulated by Deputy Parkinson on many occasions. So, obviously, if changes to the corporate tax system were the root cause of the current deficit surely the corporate tax system is exactly the right place to look at when trying to address that deficit. (**A Member:** Hear, hear.)

1045 The financial weight that was removed from companies was placed squarely on the shoulders of middle Guernsey and has remained on working people ever since. The answer is not simply just to pile further pressure on the working population, as recommended in the Budget proposals, nor, in my view, should we alternatively look to introduce a Goods and Services Tax on the population at this point.

1050 The problems were created by the Zero-10 changes to our corporate tax system so surely our corporate tax system is the first place we should be looking when trying to address the deficit those changes have created. Some people in Guernsey have got it really good – *really good* – and I am not talking about your average working Guernsey woman or man, I am talking about some of the wealthy, those who arrange their finances through companies as described earlier by Deputy Parkinson, those that can earn lots and lots of money but do not pay tax on that income.

1055 These arrangements are reserved only for the wealthy. The regular Guernsey woman and man has to pay tax on their income at 20%, potentially rising to 22% under these Budget proposals, so why on earth should middle Guernsey continue to shoulder the burden of paying the lions' share of the cost of public services when we have plenty of wealthy people who pay little or nothing in comparison? Corporation Tax created this problem so our corporation tax system should be the first place we should fully examine when trying to address it.

1060 Now, clearly we have heard many in this Assembly who disagree with this approach. Many of these maybe have made a lot of money out of the financial services industry, for example, and some may even arrange their finances in the manner described by Deputy Parkinson to avoid paying tax. I have no idea.

1065 But Deputy Parkinson is bang on when he says that he believes the majority of people agree with him and want us as a Government to seek to tweak our corporation tax system before asking them for even more of their hard earned money. We cannot continue to ask the working folk of Guernsey to pay considerably more in comparison to corporations and some wealthy individuals, it is simply unfair (**Several Members:** Hear, hear.) and I fully support this amendment and I hope that others do.

Thank you, sir.

1075 **The Bailiff:** Deputy Kazantseva-Miller.

Deputy Kazantseva-Miller: Thank you, sir.

1080 Deputy Parkinson made an excellent speech and obviously at a high level it sounds extremely appealing and he is right to some extent, the structural problems that were created were at the Zero-10 regime. Just as a reminder, enabling legislation to introduce GST was introduced at that

time because it was seen as the way to address the structural deficit that was created and probably one of the biggest problems of this Assembly over the last 15 years has been that fundamental failure to be able to make the hard decisions to address the problems and the structural deficit at the time. (**A Member:** Hear, hear.)

1085 I wanted to respond to the question posed by Deputy Burford in terms of has the tax been recouped from the corporate sector and I do have, actually, data because I looked at that in detail at the time when we did the previous tax debate and just to give you some high level figures, so just before the introduction of Zero-10.

1090 So in 2007 the total corporate tax stake was £172 million that was largely composed of the Income Tax on companies and also you have the employer, Social Security, company fees and corporate TRP; so we are talking about £172 million. By 2008 we lost about half of the company income so that went down to £59 million and so the overall tax take at the introduction of Zero-10, corporate tax take with all additional latest charges and Social Security contributions on the employers was £132.5 million.

1095 So in nominal terms we managed to reach the same level by 2018, so we reached £173 million within less than 10 years of the introduction of Zero-10, but that is in nominal terms. So I think, if you adjust for probably inflation and other factors we would have reached it then. One of the issues we have got is that while we have recouped revenue from the corporate, by and large that has happened through the increase in employer Social Security contributions. So by 2022 that led to
1100 100% increase in employers' Social Security contributions, total take from employers Social Contributions from £43 million up to about £83 million. So really a doubling of that revenue and 100% increase of what employers are contributing.

One of the issues with that is that there is always the question about, well was that cost borne by companies and employers or was that cost passed to households through wage suppression, etc. This will be the argument that we will exercise further in further debate on further amendments. But while, in principle, we have recouped some of the revenue, I do not think we are fully there, we have continued to concentrate taxation on labour and wages and I think this is one of the continuing fundamental issues of what we have got.

1110 So, we still have that fundamental problem that we have got to restructure and diversify our tax base. So I hope I have addressed some of those questions. I think some of that data will become important as we talk further about implications of an Income Tax, GST or other approaches.

I think one of the biggest problems I have got, continue having with Deputy Parkinson's approach is that we still have absolutely no further detail about what a territorial tax proposal would look like, what the implications would be, what the revenue potential would be, what the negative impacts would be and, in fact, if you look at this amendment there is really nothing in the explanatory notes.

1115 So I really appreciate Deputy Parkinson continuing to push this line but he also had the time over the last couple of years to, potentially, undertake further work to help give some further evidence, data, whatever it is so that if we were to make a fundamental decision on completely restructuring our corporate tax base we would have a little bit more evidence to do that and while the amendment is phrased as an investigation it is not, it is not just an investigation and I think this is the problem a lot of Deputies have identified that this amendment presents: it is an investigation with a view to introduce in 2026.

1120 The other problem it poses, apart from obviously we would not have any additional potential for revenue generation in 2025 but I think this is fundamentally undeliverable. We know how long taxation changes, decisions, research, investigations take; it is completely and utterly unrealistic that anything could be properly investigated, presented to a new Assembly after election with a view to introducing it in 2026. I just think it is completely impossible.

I am not going to give way to Deputy Blin.

1130 So I think if Members are really realistically considering this investigation with a view of introduction you are looking at several years where the community will be in further limbo. You will either have to continue eating into the reserves or you will have to undertake some other measures,

whether it could be Income Tax which has been proposed by Policy & Resources or also others, I think it is completely unrealistic to expect anything of this significant nature to come into effect in 2026. I think this is being disguised as something that is completely and utterly undeliverable.

I do want to touch base on a point that Deputy Parkinson made and I think which seems to have been accepted as complete truth, which is that our corporate taxation regime after Zero-10 effectively led to competitive advantage of non-local shareholders especially in the financial services, professional services industry.

He, very much, drew that causality between Zero-10 and the fact that we currently have almost no local resident shareholders of major finance companies, fiduciary businesses, etc. And I think we really need to be careful in just accepting that statement as a fact because I think, first of all, this is the first time I have certainly heard that local residents would feel competitively disadvantaged against anyone else in running, growing local companies; because, I think, if that is correct that argument has not certainly been surfaced, we have not heard this argument at the Committee for Economic Development that local entrepreneurs, effectively local business owners are somehow disadvantaged against foreign owners. I may have interpreted Deputy Parkinson incorrectly but I think that is what he said and he drew that causality of Zero-10 to the fact that we have got very few, according to Deputy Parkinson, local resident owners of financial service businesses.

But I think there are many factors that have led to the dynamics of what has happened in the industry. We have obviously had the massive boom, lots of local entrepreneurs setting up financial services businesses in the 1980s and 1990s, and by the 2000s and especially 2010s, the industry started getting to the point of consolidation. So you had some of the smaller businesses, local owned businesses consolidating and that is how you grow and develop, that is achieved through mergers and acquisitions activity.

You merge or you buy out your competitors and that is what has happened in the early stages of the business. As you continue on that trajectory and that consolidation trajectory absolutely has continued, you run out of options locally so you are looking to foreign markets, you are looking to bigger players, you are looking to players which have footprints internationally and so, at that point, it is very natural that bigger companies elsewhere start buying out some of the small businesses. So I think it is extremely dangerous to just start drawing the conclusion that Zero-10 has led to this eradication of the local owners of finance companies.

I think what is very important is that any future reform of our tax system has to have a fairer rebalancing of our tax system and the redistribution of regeneration away from our one and main source of income which is Income Tax and Social Security within that as well. So anything we bring forward in the future, and Deputy Parkinson is absolutely right, has to address that balance and move the burden of taxation away from households and labour.

So in absence of literally any other information I do want to remind Members how many policy letters we have had trying to detail out what a GST system would look like, looking at other options and for the first time because Income Tax has been on the agenda, thanks to the proposals of P&R, we have a better understanding of what an Income Tax led tax reform would have in terms of impact on households but we have absolutely zero information of what the implications of this would be. It is unresearched, it is unquantified, it is undeliverable in the time frames that it is proposing it would be and I just cannot see how this Assembly can take this risk to completely derail our current corporate tax system without putting anything else in place.

But I do want to just mention something to address Deputy Roffey's concern: even if this amendment is successful my assumption is that all other amendments are in place and if they are successful they will become new Propositions 1, 1(a), etc. so, my understanding and I would just like to get that confirmation. Even if this amendment is successful we still have the chance to, obviously, debate further amendments and they were placed as original Propositions that could be voted on.

So even if this becomes successful we will still have the opportunity to have proper debate and final voting in the final state on the other major amendments. I just wanted to get that, perhaps, confirmation from yourself, sir, or from His Majesty's Procurer.

So while I think there is a lot of sympathy in terms of the importance of structural reform that really moves away the burden of taxation from households – I think that is absolutely key, I think it is accepted that corporate taxation, generally, is changing and we are on a major journey to do that, Pillar 2 obviously being that phase one approach – we have got to deal with evidenced, well researched Propositions that do not derail our economy in the short term.

For these reasons, I think, I really urge Members not to accept the amendment as is because we have got better Propositions in play to address our short term and long term and these can still come into play.

Deputy Parkinson, as other Deputies have said, has been on the Tax Sub-Committee but, again, he has had a chance to influence the work of the Tax Sub-Committee but nothing, as far as we know, has publicly come out of that, which is a shame and perhaps if there is any work it could go into that final tax debate that we are likely, or whoever is in Assembly, is likely to have in 2026. But please, I urge Deputies not to support this amendment as it stands and to vote it down.

Thank you.

The Bailiff: Deputy Moakes.

Deputy Moakes: Thank you, sir.

It may be my imagination, and my imagination does play games on me sometimes, but many of the people who have stood up today and have said this is a great idea, let us go for it, I think, are some of the people who do not like GST, do not want to increase taxes, Income Tax rises – but maybe that is my imagination.

If it is not, this may seem like a good alternative, we do not have to raise Income Tax, we do not have to put GST in place, let us go for this instead. Well, I would urge you to be very careful what you wish for because you could – in fact, you will be – very easily jumping out of the frying pan and into the fire.

Have you done your research on this or is it just anything but the other options, because that is not the right reason to choose something as important as this? This, in my opinion, I have said it before because it has been raised previously, is a dangerous amendment. Similar amendments have been proposed previously and they were heavily defeated and that was for a really good reason. The reason was simple it would have made Guernsey uncompetitive with its competitor jurisdictions. It is as simple as that. You have heard it from a number of people already this morning, as was reported in yesterday's newspaper; and you do not have to take it from me, GIBA has stated that a change to the corporate tax system would, and I quote from the paper:

Carry a range of negative consequences including a reduction in new business, existing businesses leaving the Island and a re-assessment of the Island's global tax position.

The introduction of a territorial tax on a go-it-alone basis would result in significant risks to existing businesses and make Guernsey uncompetitive with key competitor jurisdictions such as Jersey, the Isle of Man, Cayman and even newer jurisdictions like the UAE. This is *really* important. Nowhere in this amendment does it mention competitor jurisdictions or the impact that this amendment would have on Guernsey. We would be out of line with our key competitor jurisdictions, is that really what you want?

The amendment also makes no mention of the fact that Guernsey, Jersey and the Isle of Man have already communicated to everybody, including you, that they are already working together outlining their plans on this matter. All three jurisdictions, and I think some people have already pointed this out, are working in lock-step together ensuring that they meet international requirements and that somebody does not step out of line.

Going it alone, as Deputy Parkinson and Deputy McKenna are suggesting, in my opinion will make us uncompetitive and we will lose business and investment if this amendment is approved. Do you want to put jobs at risk? Do you want to put revenue at risk? Do you want to put future

investment in Guernsey at risk? Think about it, carefully, this is not the time to be voting something like this in and I urge you all *very strongly* not to do so.

Thank you.

The Bailiff: As no one else wishes to speak on Amendment 5 I will turn to Deputy Trott to speak on Amendment 5 please.

Deputy Trott: Thank you, sir.

I thought that the last two speeches had been particularly powerful to the extent that I shall repeat some, I think, of both speeches.

But, first of all, I was asked a few questions. Deputy Burford asked how much has been recovered from the corporate sector since Zero-10 and I am advised that we have recovered over £1 billion from the corporate sector since Zero-10 was introduced and, as Deputy Sasha Kazantseva-Miller said, the gap has narrowed significantly as a consequence of other changes, particularly to the manner in which corporates pay additional levies on tax and real property, for instance.

Deputy Dudley-Owen asked, I think, a particularly important question she wanted to know what the Tax Sub-Committee's view is and it is clear and consistent that the introduction of a territorial tax is not appropriate now, not yet, but one day, their view, and indeed mine for what it is worth, is that we will have a territorial form of corporate Income Tax but, as the previous speaker in particular said, that needs to be undertaken in lock-step and it is not – I repeat, *not* – the revenue raiser that some in this room believe it to be and I shall address that more extensively shortly.

But just a little bit of a history lesson because two previous Treasury Ministers have, I think, unfairly regarded or commented that they believe that Deputy Parkinson has been a snake oil salesman and they have reached those views, those two former Treasury Ministers, because he is inclined to give a message that is incomplete in its accuracy in terms of its chronology.

The EU said to us if you want to continue to trade with us you must treat residents and non-residents equally for tax purposes. That was the genesis of the issue and as an international finance centre we do need to trade with the EU, but the decision for us to reform was instigated by the Isle of Man, they moved first and they moved first because they had the luxury, somewhat ironically, of being participants in the UK VAT common purse which meant they were awash with cash from that source and that gave them the flexibility to move unilaterally.

It was that unilateral move that caused a huge amount of problems for us because it set in chain a set of events that meant we had little choice and I have often, over the years, been regarded as the author of Zero-10, that is complete nonsense, but it just happened that it fell on my watch as Treasury Minister for these matters to be addressed.

I do not regret it for one moment, in fact, Zero-10 came in on 1st January 2008 and I regard it as the most important decision this Assembly has made during my time in this Assembly. But Deputy Parkinson followed me as Treasury Minister; he had been, for some of the time in the term between 2004 and 2008, the Deputy Treasury Minister. He sought to resign on a matter of principle then he got the job in May 2008 and low and behold Zero-10 did not change one iota. Now, Deputy Parkinson will tell you that was because he could not get the support of colleagues for change and that was true in the period 2012-16 and it was true in the period 2016-20 and, I believe, it is true today in this particular term.

Has everyone else been wrong in those majorities over that time? No, of course not because Deputy Parkinson's ideas, like many of them, are too early in this cycle. I predict we will have a territorial form of tax but I think it is unlikely to be any earlier than the end of this decade because, as Deputy Moakes said, we absolutely must move in lock-step, this is no time for unilateral behaviours; that would be extremely damaging, as I would argue it was when the Isle of Man moved back in the early noughties in the way in which they did.

So, we all know, sir, that this is not the first time that Deputy Parkinson has proposed the territorial tax regime to this Assembly, in fact, it is the third time this term. But it does not matter how many times the same proposal is put forward, the arguments against such a unilateral move

remain the same as they have on each previous occasion. Establishing a territorial system would be politically and competitively risky and technically challenging for that matter.

Industry has repeatedly stressed the importance of stability as well as staying in lock-step with our neighbours/competitors. Now this is industry who have laid down their roots here, who have made their investments here, who are often chartered tax advisers. These people know what they are talking about and by overwhelming majority they advise us not to behave in the manner in which Deputy Parkinson has suggested.

Their representatives have reported their uneasiness at the proposed move to a territorial regime in isolation and it is this isolation that you must really focus on. In fact, I am going to read in a moment what the leadership of the Guernsey International Business Association said only last week. Now Deputy Moakes has already referred to this but it is important to read the extract in its entirety:

GIBA must remind politicians that changing our corporate tax system to a territorial tax regime would have a range of negative consequences. Tax experts have concluded that it will lead to a reduction in new business and could also cause existing business to relocate.

Now I know enough about our financial services industry to tell you that I absolutely share that view for a number of reasons.

GIBA have also reported that any move to a territorial system can be expected to trigger a reassessment by international standards setters in relation to corporate taxation including the EU's Code of Conduct Group and the OECD Global Forum.

Now my friend, and he is my friend, Deputy Parkinson, told this Assembly on a number of occasions that the Zero-10 regime that we agreed to would not be sustained. Now in fairness to him there have been some modifications and those modifications have, over the years, resulted in the corporate sector paying more but Zero-10 remains in force today.

Now, why is that 15 years on? Because it was not a consummate failure, it was the mechanism for keeping us strong for so long. Now GIBA concludes that the introduction of a territorial tax on a go-it-alone basis would result in significant risks to existing businesses, make Guernsey uncompetitive with our key competitors. Again Deputy Moakes referred to them, so it is not just Jersey and the Isle of Man, it is also newer competitor jurisdictions like the UAE.

So Members will remember that it was in September, only two months ago, that they were asked and agreed to approve a fundamental change to our corporate income tax regime in order to enable us to make relevant regulations to implement the latest international tax norm – *international tax norm*. That is the OECD Pillar 2 global rules which introduce a minimum tax of 15% for large multinational enterprises.

Now the reason this has worked and the reason it has worked so well for us is because it is a multi-lateral move and as a consequence of that we are in lock-step. The moment we look different and Deputy Parkinson will tell you but territorial taxes are the norm, they may be the norm globally but they are absolutely not the norm for international finance centres like the ones that I have referred to and that is critical. We cannot reinvent what we are, we are what we are and we have our own set of specific issues that need to be taken into account.

Now ahead of that policy decision, incidentally, on Pillar 2 there was considerable engagement with stakeholders and those stakeholders reiterated their desire that Guernsey maintains the stability of its Income Tax regime, hence the proposal to introduce that new norm. So to Deputy Kazantseva-Miller's point, extensive consultation that got us to a position where we were ready to implement that, we are not ready to implement territorial tax here until and unless our main competitors are in lock-step with us and that is such a fundamental point, I cannot reiterate it strongly enough.

Furthermore, because of the adoption of the global rules it is an inevitability that some of the companies that may be affected by a territorial tax regime will already be in scope for Pillar 2 tax at

15% and this will, undoubtedly, impact any estimate of the revenue to be gained from such a tax. So we are getting £30 million, much of that would be caught by a change.

1335 Now it has been suggested by some that a territorial regime would inevitably lead to Guernsey losing the moniker of tax haven – something they say would benefit the Island’s reputation. However, there is no evidence to substantiate this claim. Indeed, many of the offshore financial centres with a territorial regime are still referred to in the media as tax havens.

1340 Now, and again fundamentally, Guernsey is currently white listed by the EU and the OECD against robust criteria of tax co-operation agreed at an international level. Now whilst internationally there has been a trend towards elements of territorial tax, I do not deny it, there has also been increased scrutiny by supranational organisations. Territorial regimes have very recently been a focus of the EU Code of Conduct on Business Taxation Group analysis with several jurisdictions added to the EU grey list following a determination that aspect of their regimes were harmful.

1345 Now Deputy Parkinson knows all this and I shall enjoy listening to some of his counter arguments in a moment but what he does know as well as me, we both had careers in financial services, is that security and certainty and stability matter as much to our international clients as any other criteria when they are deciding where to put their business.

1350 Now this work I referred to earlier it included jurisdictions with long established territorial regimes such as Hong Kong who have had to make changes to their regime to ensure they are deemed compliant to prevent moving on to the black list, it is not a panacea. Deputy Parkinson’s amendment proposes the territorial regime is investigated with a view to introducing it for the year of charge 2026.

1355 So, first of all, I would content that such an investigation has already been undertaken and the idea dismissed. The independent report conducted by the global tax policy team of Ernst & Young – and there was an intervention from me earlier because there was an attempt, I think, to besmirch their credibility; this is an international firm, one of the largest big four accountancy firms in the world who wake up every morning with international tax on their mind and go to bed every night with the same thing on their mind – clearly outlines the risks associated with a move to a territorial system and no such risks have been examined or mitigated in advance of Deputy Parkinson asking
1360 the States to agree to, once again, investigate such a regime.

Can we really justify the expense of such an investigation when the results of the last investigation, just a *year* ago, have already been presented to this Assembly? I think not. I think if there is one thing that the community dislikes more than our dithering over getting our fiscal position, it is the use of international consultants, particularly when we use them so soon after we have already heard from them. Nothing material has changed other than we will introduce Pillar 2 from 1st January next year, it will be positive for our tax take, we have done that in unison and I think we were unanimous in our decision to do that because that was the right thing to do.
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Now, the E&Y report also highlights that the risks may be particularly acute where competitor jurisdictions maintain their systems and hence investors would have a clear choice as to whether to adopt additional risk and as far as I am aware our competitor jurisdictions have no plans to change their corporate tax systems at this time. It will come but it is many years away in my judgement and after all I was the one that said, back in 2008 along with other colleagues, that Zero-10 would stand the test of time. Others laughed in my face but 15 years on it is still in place, we are still on white lists and we are still, relatively speaking, strong.
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I say relatively speaking because I am the first to admit that growth has not been to the extent I would wish, but the recession that would have followed the wrong decision back in 2008 would have been catastrophic and that was the view of the majority of informed commentators at the time.

1380 A change to Guernsey’s regime will also prompt a review by the EU Code of Conduct Group which will entail being placed, almost certainly, on the EU’s grey list for a potentially extended period. That is incredibly dangerous, incredibly damaging. It is one of the reasons why this Assembly has spent a very considerable sum of money making sure that we are not grey listed by Moneyval

and that is going extraordinarily well, by the way, thanks to all the hard efforts of many in this room and certainly a large number in our industry. (**Several Members:** Hear, hear.)

That would result in a period of uncertainty whilst the regime is reviewed. It could last years and we will see a red flag to investment and new business during that time at a time when growth in our economy is an absolute imperative. The E&Y analysis also considered the impact of behavioural change by companies as highlighted by GIBA. They said that such change could come either through relocating businesses, meaning a decline in employment and the related taxes that we get from it, or by undertaking less profitable activities in Guernsey, meaning a decline in corporate Income Tax payments.

Now this is important, the estimate in its report is that a move to a territorial regime would likely lead to a decline in Gross Valued Added (GVA) of between 1.2% and 1.8% and over the last 10 years we have grown in real terms on average at a rate of 1% but if 1% growth becomes a 1.8% decline we will go into a sustained period of recession.

Now responsible government has a duty to preserve business confidence and stability, this is in the best interest of the economy and all Islanders. We can be certain that any perception of uncertainty will be seized on by our competitors to their own advantage. Whilst we, with great fanfare, are being asked to look at a complete redesigning of our corporate tax structure they are quietly offering a stable platform to business and inward investors and do not think they will not do it because it is precisely what Guernsey Finance would do if the shoe was on the other foot.

It would be deeply disappointing if only eight weeks after having accepted our combined duty to preserve business confidence and stability we would now choose to disregard that duty. That is what we would be doing if there is a vote in favour of this amendment. Now Deputy Parkinson has been a Treasury Minister, he has had to put together budgets and balance the books and yet he is not only putting forward a proposal previously rejected by this Assembly, he is also seeking to worsen the financial position of the States by £28 million in 2025 and balance the books by using our precious reserves. All this for a tax which, at best – do not believe me, believe our international advisers – *might* raise £10 million to £15 million per annum. *Might!* At what cost? I strongly urge Members to vote against this amendment.

Thank you, sir.

The Bailiff: I now invite the Proposer of Amendment 5, Deputy Parkinson, to reply to the debate please.

Deputy Parkinson: Thank you, sir.

Well, I will run through the comments made in speeches in chronological order. Deputy Ferbrache started with concerns about what the words ‘investigate with a view to introducing a Territorial Corporate Income Tax by 2026’ mean. Several speakers have said they do not like that because it suggests the purpose for the review.

But I think Deputy Leadbeater gave the perfect response to that: you have to say what the problem is that you are trying to solve. If you are having an investigation, why are you having an investigation and the answer is because Zero-10 is serving our Island extraordinarily badly and undermining our community.

Now, the reform of Zero-10 must form part of the solution. Yes, of course, we could just say in our amendment, and I have had several notes urging me to do this, just say you want to investigate. Well, I mean if people are concerned about uncertainty what could be more uncertain than that and if the investigation has no purpose other than to look into things it will just be a complete waste of undirected resources.

The reason why we have said to investigate with a view to something is because that sets the direction but, obviously, as others have said if the investigation shows that there would be better ways of doing this or that Territorial Corporate Income Tax is not the right way to go then, clearly, the recommendation would be to do something else but it would be recognising that the

1435 fundamental problem starts in the corporate tax sector and that is the first place that we need to look if we are looking for a solution.

Deputy Ferbrache also said, and I wholly agree with him, the people who are paying the extra tax are the middle class of Guernsey. This is why we need to investigate. Deputy Gollop said, and others have picked this up, I think his words were we cannot jump the gun, others have said we cannot move before other jurisdictions we have to move in lock-step with the Isle of Man and Jersey but the problem with this is they start from very different positions. The Isle of Man has VAT and it provides them with very substantial public revenue receipts; we do not have VAT and I do not think anybody here wants it – (**Deputy Gollop:** I do.) apart from Deputy Gollop. (*Laughter*)

1445 So the reality is we get played off by people talking about international competitiveness. They want to pick and choose, they want the best of all worlds. So they do not want the VAT, which the Isle of Man has, but they also do not want us to do corporate tax reform or anything else. If we are guided entirely by international businesses they will say, yes, well that jurisdiction has this feature and that jurisdiction has that feature and the other jurisdiction has another feature and we want them all.

1450 The reality is somebody has to pay some tax or, as a community, as a Government, we will collapse and it is our decisions about where the tax burden falls. Unfortunately, we cannot just say, oh, well nobody will pay it, eventually somebody has to pay and in Guernsey the response has consistently been, oh, well we will just get some more from the middle class. Well, I am saying the middle class have had enough and that the system is grossly unfair and that they can see it is unfair. 1455 So choices will have to be made, Members will arrive at their own decisions but at the end of the day the problem started in the corporate tax field and that is the first place to start looking for a solution.

Deputy Burford asked what taxes have been regained from the corporate sector and I think Deputy Kazantseva-Miller gave something of an answer on that. Yes, a lot of tax has been collected from the corporate sector by increasing commercial TRP rates and, critically, by increasing employer Social Insurance rates.

1460 It needs to be mentioned that those increases do not only fall on companies they fall on partnerships, etc. which already pay 20% Income Tax further disadvantaging many local owned businesses. But the reality is that, as Deputy Kazantseva-Miller mentioned, it is quite questionable whether the increase in Social Security contributions paid by employers is, in fact, borne by the employer because there is a very reasonable argument that in fact it is reflected in what is paid to the employee and, therefore, that the cost of this is, in fact, being borne by the same people who are paying all the other charges that we have levied on them.

1470 Deputy Inder talked about the risk of flight I think we will cover that at several points in this summing up. Deputy Dudley-Owen also said we need to move in lock-step with other Crown Dependencies. To be honest, this has been mentioned, perhaps, a dozen times so I will probably try and sum up on that all in one go.

But she did ask some questions, she asked what is the Tax Sub-Committee doing? Well I can tell her that since I joined the Tax Sub-Committee a year ago, approximately, it has met three times. I can tell you that the issue of corporate taxation has not appeared on the agenda once and that if Deputy Mahoney tells us that the previous Committee looked into this that material has not been 1475 readdressed or reopened during the time I have been on the Sub-Committee.

She says that the Financial Transformation Programme had detrimental effects; well, obviously, in places it was hard to bear. Deputy Soulsby said that a lot of the savings were achieved by transferring costs to the consumer and she is quite right in terms of reduction of grants to colleges, reduction of grants to Beau Séjour and places like that. Unfortunately the efficiency gains which I hoped could be achieved at the outset of that programme were not entirely achieved and I wish that had been more of the case and if we do have an FTP2 I would be insisting that that is where we look to make savings.

1485 But she says that it resulted in reductions in the maintenance budget at Education and I do not think that was a direct consequence of FTP. The Education Committee had been very bad at

maintaining its estate for years before FTP came in and the backlog of maintenance which Education faces today has a long history but it is not to do with FTP.

1490 Sadly, there are perverse incentives in the way we account for capital spend. Basically if you leave your school to fall down and never repair the roof at the end of the day the States will buy you a new one and you do not have to pay for it. It is a free gift. But if you take the trouble to maintain the roof on your school, repaint the walls, that comes out of your current budget and adds to your annual deficit, (*Interjection*) so there is a perverse incentive not to maintain capital assets. (**A Member:** Hear, hear.) I recognise that there have been problems in the Education estate for many years but I do not accept that those were caused by FTP and, in fact, in passing I would say the Committee that was least co-operative with FTP was the Education Committee.

1495 Now Deputy Dyke says we should investigate and, of course, I agree with him, I thank him for his support. Deputy de Lisle has also said there has to be a purpose for a review, yes I agree. There is no point in just saying let us review everything; there has to be an agenda, you start with a piece of paper that says, what is the purpose of this review?

1500 Deputy Blin asked about non-corporates. Yes, of course, we have already mentioned partnerships and so on, there are other business forms in Guernsey but they are fiscally transparent which means that the body itself does not pay tax. The people who pay the tax are the partners in the partnership or the people behind the structure. He said the amendment says the Proposition has been submitted to His Majesty's Procurer and asked what the response is. Well, the response was the amendment was approved so we submitted it, but there were comments and some suggestions were made about amending the wording and we took those on board and we amended the wording.

1505 He asked, and this has been raised by others, what time lines would it become a revenue positive? Well, of course, we are asking for a review. The review itself will not become revenue positive. If the review reaches conclusions about what needs to change in our tax system there will, no doubt, be a time lag before they can be introduced.

1510 To refer to questions or comments made later, I think by Deputy Trott, the reality is if we were to move to a Territorial Corporate Income Tax that, essentially, is the global norm, it is practiced by, I think, almost every OECD country. The exceptions are, as I recall, Mexico, Israel and, I think, there are a couple of others which escape my mind now but every single other OECD country has, in one form or another, a Territorial Corporate Income Tax system including the UK, France, Germany, United States, Japan and so on. Some Members have tried to bill this as this would be a revolutionary step out of line by Guernsey. Nothing could be further from the truth; we would be moving closer to the global norm.

1520 Deputy Le Tissier, I thank him for his support and he said, I think, wisely that if uncertainty is a barrier we would never investigate anything and that is absolutely spot on.

Deputy Matthews, I thank him for his support in principle. He would be willing to couple this investigation with an immediate 2p rise in Income Tax and I have discussed this with him and I have said to him, look my problem with what we have been doing is we simply add more and more taxes on to the middle classes and I am not going to support adding 2p onto the 20p Income Tax system which if people start talking about uncompetitiveness (*Interjection*) will blow a complete hole in our competitiveness and heap more tax onto the middle classes, exactly what I am trying to protect them from.

1530 So I said, and I will repeat, that personally I would support bridging the gap by supporting Deputy Dyke's amendment and when the time comes to vote on that I will do so. Other people may have different solutions for how we bridge the gap and to be honest if the majority of the Assembly said we support doing 2p on Income Tax until a corporate income tax could be brought in, I would have to accept that verdict. It is not what I would do because I just think we have done enough harm to the middle people in Guernsey and this is just further exacerbating the unfairness of the system. (**A Member:** Hear, hear.)

Deputy Matthews, yes we have covered him, thank you. Deputy Mahoney says the Tax Sub-Committee investigated territorial tax. Well, that is news to me and if it happened on his watch, bully for him, but where was the report? I have never seen it.

1540 I will give way to Deputy Mahoney.

Deputy Mahoney: As I noted, it was all contained in the original reports appended to the first GST debate we had and then, I think, it was also attached to the second GST debate, the people on the top bench are nodding. So it is there for anyone to see and you can still get it today if you really need to.

Deputy Parkinson: Well, I will accept that correction but I have, frankly, limited admiration for the work that was done by Ernst & Young and I have expressed that before in this Assembly. I thought their report, I think I said last time, was the most unprofessional report I have ever read and they were completely wrong on Pillar 2.

Deputy Trott: On a point of correction, sir.

The Bailiff: Point of correct, Deputy Trott.

Deputy Trott: They were not completely wrong. Based on the rules and the schedules attached to Pillar 2 at the time they were accurate; it is the reforms that happened subsequent to that that generated the revised and improved levels of tax from our perspective. So it really is no good trying to besmirch the name of an international financial services firm without getting one's facts correct.

The Bailiff: Deputy Parkinson.

Deputy Parkinson: Well I suspect that Deputy Ferbrache would agree with me that, actually, the previous Policy & Resources Committee was completely misled by their advisors.

1565 Deputy Soulsby talked about the review of FTP and she has cast aspersions about the long-term effect. I know it was not ideal and if we were going to do it again, an FTP mark two, I would want to do it very differently, I would want to see it based on what economies could be brought to the States by artificial intelligence.

1570 She also said in the long term Deputy Parkinson may well be right. Well, I think I am right and I do not think we need to wait for the long term to take advantage of that. Deputy Roffey says this does not include a decision to raise revenues; no, it does not but that is because, I think, we have raised revenues on the middle classes quite enough.

1575 He says we need to increase taxes. Well this is a difference of philosophy. There is, as I said in my opening remarks, evidently a group in the Assembly who are, what I will call, the tax and spend brigade but there is also a group in the Assembly, fortunately, who think like me that (1) the tax burden on the resident individual population is already high enough, and (2) that the corporate population should pay more of the bill because it is only fair to do so, and (3) that there is room for making savings in the States' budgets.

1580 No other Treasury Minister has made any serious attempt to cut public spending since I entered politics in 2004 and if you look back over States' Accounts over the last 20 years you will see that there was quite a long period around when I was in charge when public spending did not grow or grew at a rate slower than the rate of inflation and that has not been the case any time since.

1585 Deputy Vermeulen, I thank him for his support. I liked the expression 'Deputy Parkinson has an annoying habit of being right' (*Laughter*) and I will take that as a back handed compliment. (*Laughter*) Deputy Leadbeater, I have already referred to; corporate tax created this problem and corporate tax is the first place to look for a solution, very wise words, I totally agree with him.

Deputy Kazantseva-Miller, in addition to the points she raised about whether employers' Social Insurance contributions are actually borne by the employer or not, which I have already referred to,

1590 basically says we have no detail. Well the issue here is that I am asking for an investigation. I am essentially a lone voice in this Assembly, as others have said, and there is only a certain amount that I can do to research this issue. These big issues need resource to investigate them and that is why I am asking for us to investigate them and I cannot give you chapter and verse on every detail of how this might work because that investigation has not taken place.

1595 She does not think a corporate Income Tax could be introduced in 2026 and this ties in with other people's comments about how difficult this will be to do. The reality is that many of our main competitors already have Territorial Corporate Income Tax systems. People have mentioned Singapore, Hong Kong, of course; I was very amused to hear Deputy Trott say that GIBA had adversely compared us with Dubai. Dubai has a 9% Territorial Corporate Income Tax. I do not know what they think that I am suggesting we should do that Dubai is not already doing and, frankly, if that is their comment it shows how little they know about taxation.

1600 She also says, and I think it is a valid point, that there has been a shift in ownership of Guernsey companies towards non-resident owners and that that has been caused by a number of factors, not just taxation, and I totally accept that but I would ask her in return when there is this consolidation taking place, and it is evidently taking place all around us, why is the acquiring company never the Guernsey company?

1605 When we have these consolidations what happens is a Guernsey business is taken over by an international business outside the Island and the local business becomes owned by non-residents. Guernsey was doing so well before Zero-10, we had a really flourishing strong financial services sector, much of it locally owned.

1610 **Deputy Trott:** On a point of correction, sir.

The Bailiff: Point of correction, Deputy Trott.

1615 **Deputy Trott:** Deputy Parkinson, once again uses words like 'never' and I have already given him an example of where his former business has been acquired by a Guernsey resident. I have recently, along with my business partners, acquired a number of businesses in the UK, they are all through a Guernsey entity which ensures that taxes are paid here in Guernsey. So, to use the word never is completely unacceptable once again due to its obvious inaccuracy.

1620 **The Bailiff:** Deputy Parkinson.

Deputy Parkinson: Sir, some local trust companies, etc. continue to be owned by local residents, I believe Deputy Mahoney may be the owner of one of them, but the reality is that the vast majority of substantial businesses in the financial sector are now owned by non-residents and the fact that there are exceptions to that rule does not invalidate the comment.

1625 Finally, Deputy Moakes says change would make Guernsey uncompetitive, I think we have heard that before. Deputy Trott says, first of all, that the gap caused by Zero-10 has narrowed, that is the loss caused by Zero-10 has narrowed, and that is true if you count the employers' Social Security contributions and tax on commercial TRP as being a contribution towards fixing the hole. But they do not actually tax precisely the same populations. Employers' Social Insurance contributions also affect companies that pay 20% Income Tax or whose partners pay 20% Income Tax and then the issue of, essentially, where these taxes are really borne is crucial.

1630 The reality is that although you can make the argument that these taxes have narrowed the gap they have just taxed somewhat different populations. For example, within the scope of companies that used to pay what we called Corporation Tax back in the day, which meant a flat fee to be exempt from Income Tax, some of those are now going to be caught within Pillar 2, and a Territorial Corporate Income Tax would bring into tax the profits of some financial services partnerships or which used to be partnerships which are now incorporated companies. So you are not exactly

comparing apples with apples, they will be affecting slightly different populations and in some cases financially significant differences.

Deputy Trott said we will have a Territorial Corporate Income Tax. Like Deputy Soulsby, he agrees that this is going to come eventually but he tells us that chartered tax advisers have told him that they support the position, for example, articulated by GIBA. Well, I know a number of chartered tax advisors at the peak of the profession who have told me, privately, that they completely agree with me but they cannot say so publicly because it would upset their clients.

He says that a review of our corporate tax regime would result in a reassessment of our tax regime and, again, scaremongering about we would be grey listed, there would be uncertainty, etc. Now the reality is – and this goes to the question of how long it would take to implement a corporate tax regime if that was the conclusion of the review – that we are surrounded by jurisdictions that have Territorial Corporate Tax regimes. It is not like we need to reinvent the wheel.

Hong Kong, for example, has a fully developed tax system, Territorial Corporate Tax, and despite Deputy Trott's attempts to besmirch them by saying, oh, well they have been investigated by the EU, yes they have and they are now white listed. Basically these regimes have been through the mill, they have been investigated by international bodies and they are now white listed and there is no reason on earth why in developing a different tax system, whether it be Territorial Corporate Tax or other, we would not take someone else's regime that we know works and lift it, wholesale. All the legislation has been drafted. It is in force in a jurisdiction which is not only a competitor of ours but a vastly more successful jurisdiction than ours.

Legal drafting is always a technical area but there are tonnes of precedent out there. We do not need to invent all this stuff, these regimes exist, they have been investigated, they are white listed and I do not accept that if we were to adopt a regime that was similar to a tax regime which is white listed and in use elsewhere that we would be putting ourselves under investigation. I mean why would the EU Code of Conduct Group want to waste their time looking again at a tax system that they have already approved?

Deputy Trott finally says there would be a decline in GVA if this happened. He is probably basing that on some accountant's report. I do not think that argument stands up, I think a Territorial Corporate Tax regime would strengthen Guernsey in various ways: (1) it would help to repair our public finances and, therefore, in the long run improve our credit rating, etc.; (2) it would give the States of Guernsey money to invest in our infrastructure, investment which is sorely needed and which would help to stimulate growth going forward; and (3) because it would make our tax system fairer and reduce the tendency of local people to leave the Island, worsening our demographic problems, it would make our whole community financially healthier and if we do not do this, I think, exactly the opposite will happen.

We will continue to lose people, especially young people, we will have fewer children in families that do stay, our demographic problems will get worse and ultimately we will destroy our community. This is an existential problem for the Island of Guernsey, this is not just about who is going to pay the public sector bills tomorrow or the year after; the system is so broken and so unfair that we are destroying our community.

I urge Members to support this amendment.

The Bailiff: Members of the States, it will be time in a moment to vote on Amendment 5, proposed by Deputy Parkinson and seconded by Deputy McKenna. In order to try and address what Deputy Kazantseva-Miller asked earlier, the effect of supporting Amendment 5 will be to replace Proposition 1 from the original Propositions of the Policy & Resources Committee but also, because of the second part of Amendment 5, it will affect Proposition 2.

However, Amendment 22 proposes, again, to replace Proposition 1 and, therefore, if Amendment 5 were to be supported by a majority of Members there is still the possibility that Proposition 1 will be substituted again with those Propositions from Amendment 22. I will say nothing at this stage about the second part of this amendment which is not being addressed

anywhere else but might need to be if it were to be successful, and on that I will invite the Greffier to open the voting on Amendment 5 please.

There was a recorded vote.

1695

Not carried – Pour 14, Contre 21, Ne vote pas 0, Did not vote 0, Absent 5

Pour	Contre	Ne vote pas	Did not vote	Absent
Blin, Chris	Aldwell, Sue	None	None	Cameron, Andy
Bury, Tina	Brouard, Al			Gabriel, Adrian
De Lisle, David	Burford, Yvonne			Roberts, Steve
Dyke, John	De Sausmarez, Lindsay			Snowdon, Alexander
Fairclough, Simon	Dudley-Owen, Andrea			St Pier, Gavin
Le Tissier, Chris	Falla, Steve			
Leadbeater, Marc	Ferbrache, Peter			
Matthews, Aidan	Gollop, John			
McKenna, Liam	Haskins, Sam			
Meerveld, Carl	Helyar, Mark			
Parkinson, Charles	Inder, Neil			
Queripel, Lester	Kazantseva-Miller, Sasha			
Taylor, Andrew*	Le Tocq, Jonathan			
Vermeulen, Simon	Mahoney, David			
	Moakes, Nick			
	Murray, Bob			
	Oliver, Victoria			
	Prow, Robert			
	Roffey, Peter			
	Soulsby, Heidi			
	Trott, Lyndon			

* denotes Member who voted by proxy

1700

The Bailiff: In respect of Amendment 5, proposed by Deputy Parkinson and seconded by Deputy McKenna, there voted in favour 14 Members, there voted against 21 Members, no Member abstained, 5 Members did not participate in the vote and, therefore, I will declare Amendment 5 lost.

1705

Just by way of explanation for those who are trying to do the sums, Deputy Taylor has been given a proxy vote which is being cast on his behalf by Deputy Fairclough and, therefore, although there are six Members who are not here there are 35 Members who are voting at the moment. So just by explanation of it, he has been given a proxy vote because of the effect of Rule 26A(1) which I was satisfied is covered in these circumstances.

1710

When we come back at 2.30 p.m. we will move onto Amendment 3 next. Can I just, by way of preface to Amendment 3, say that I am going to take a vote on Propositions 1 and 2 in Amendment 3 together but I am then proposing, if anyone wants to, to have discreet votes on Propositions 3, 4 and 5 in Amendment 3 because they are all distinct. And with that explanation, we will now adjourn until 2.30 p.m. please.

*The Assembly adjourned at 12.36 p.m.
and resumed its sitting at 2.30 p.m.*

**The States of Guernsey Annual Budget for 2025 –
Debate continued**

1715 **The Bailiff:** I am now going to invite Deputy Helyar, if he wishes to do so, to move Amendment 3 please.

[Amendment 3](#)

1. To amend Proposition 29 by replacing “£650.0m” with “£610.3m” and deleting the words “and the revenue expenditure budgets as set out on pages 126 to 146”.

2. To replace table 14 in paragraph 6.17 of the Budget Report with the table in the Appendix to this amendment.

3. To insert a new proposition 32 to read: “To direct the Policy & Resources Committee, in its role as the employer of the public sector workforce, to put in place arrangements with effect from 1st January 2025 to ensure that new employees are appointed on a static pay rate applicable to the role in question and their capabilities and experience for it, with no incremental increases to apply.”

4. To insert a new proposition 34 to read: “To direct the Policy & Resources Committee, in its role as the employer of the public sector workforce, to direct that any post that has been vacant for six months or more should be deleted, and should be reinstated only if the service area concerned can demonstrate that a post is essential to the continued delivery of frontline services.”

5. To insert a new proposition 36 to read: “To direct the Policy & Resources Committee, in its role as the employer of the public sector workforce, to close the existing Public Servants’ Pension Scheme to new entrants with effect from 1st January 2026 and to replace it with a Defined Contributions scheme, with employer contributions no higher than the current rate paid for members of the existing defined benefit scheme.”

Deputy Helyar: Thank you, sir.

1720 I am not going to take very long over this because the genesis of the amendment came about quite a long time before some of the other amendments have appeared, including Amendment 22 which, effectively, backs away from pure Income Tax and looks at GST in addition. So I thank the President for his opening speech, I recognise several parts of it as being almost identical to the speech I made last year which reminded me a little bit of Spike Milligan’s epitaph on his gravestone which says, ‘I told you I was ill,’ which obviously still raises a laugh with people who pass it every day.

1725 This amendment is a set of separate Propositions. The first two together deal with, effectively, freezing expenditure of every Committee at the rates at which it was this year, in effect. Item 2 deals with replacing the table that deals with those and then 3, 4 and 5 are entirely separate and I shall deal with them in turn.

1730 Why have I brought this? Well I was sat having read the budget and looking at it I thought well I just do not think Income Tax is going to fly here and that turns out, probably, to have been true unless it is brought together with something else as a Proposition which everybody can get around.

1735 I think it will be close but I thought one of the likely outcomes, or potential outcomes, from the Budget was going to be no decision, so no decision on raising revenue but a decision on spending and we simply cannot afford to do that. So I wanted to give Members the opportunity of a discussion around savings based on what an austerity Budget might look like because, as the President has already acknowledged, if we ended up today, or later in the week perhaps, without a decision on how to raise revenues in the interim there would need to be cuts and whether those are cuts in revenue, as this amendment proposes in 1 and 2, or it is cuts in spending on capital projects which, of course, has some impact on revenue expenditure as well; either way we would have to start cutting our cloth.

1740 The President also alluded to a trope, really it is a trope, in the public domain whereby we can save enough out of the budgets of States’ expenditure in order to be able to fill this gap that we have. Now I am not a slasher of public expenditure, I certainly was not like that in the role, in fact,

1745 several people have alluded to how much expenditure has gone up. Most of that, obviously, is to do quite reasonably and fairly with inflation in the interim and some of it with spending pressures to do with things like Brexit and the fallout from COVID and all the things that could not be done then that we have had to catch up with.

1750 But notwithstanding that, I have never had a conversation with and I do not think anybody can point to a speech that I have made where I have given anyone the impression that it is possible to save £100 million per year for ever going forward by cutting public costs, because it simply is not possible to do that. And anybody who has a conversation with members of the public who believe it is possible to achieve the kinds of cuts that would be necessary to balance the revenue budget they need to really relieve them of that, or disabuse them of that, idea because it simply is not possible.

1755 As with all of these things they are very complex and the solution is going to require a blend of different approaches. So, for example, I mean this is the one I always give and I have turned to the Appendix 1 which is in the back of this amendment on the back page. If you wanted to save £100 million you would have to, literally, get rid of Economic Development and Education, Sport & Culture in order to achieve that. **(Several Members: Hear, hear.) (Laughter)**

1760 I could pick others, those are just because they are at the top of the list and it is easier to do the sums, if I am honest, but you could aggregate several others in order to do that. But that is not just cutting a little bit, that is entirely getting rid of them for all time going forwards. Some people are putting thumbs up, maybe I should pick some other candidates for it but, no, I fully accept and I think we must all in here accept and we have a duty to explain to the public that we are not wasting money.

1765 If we are not wasting money, and that trope is out there, we really need to do a better job of explaining that public services represent good value for money and that is a responsibility which falls on all of us. **(A Member: Hear, hear.)** Now there cannot be an organisation in the world with an £800 million budget that cannot save money somewhere but I think we need to do a bit of each of it and we also need to demonstrate to the public that we are willing to do so, and I have no doubt the President, when he responds to my speech, will refer to areas in which savings are moving forwards and the work that is being done and how that is going to progress and I very much welcome that. But it is really important in here to have that discussion whether that wins or not because I think the public needs some reassurance at the moment because everybody is very hesitant about any form of tax rise, I am, and also the form which it takes and its impact on the economy. We will come to that in other debates and other amendments and the main debate itself but we need to have a discussion about what we are doing proactively to reduce costs and I am sure the President will address that.

1780 So, the first and second Propositions in here are very simple: they set the dial back, effectively, to where expenditure was this time last year and it also replaces that table within the Budget. And everyone can stand up, and I fully accept that people will stand up, and say it is simply not possible for us to do that. If that is the case, by all means say so, it is really important to set that out for the public benefit.

1785 So let's move on then from savings and it is not necessarily a saving in itself, it just stops the bill going up. There will be savings associated with having to cope with inflationary costs that have been built into this year which would go back to the beginning of last year effectively, but there is no saving *per se* in there, it is just the stopping of the escalator for a short period.

1790 So Proposition 3 then is entirely different, let us move onto that. That is, 'to direct P&R in its role as employer of the public sector workforce to put in place arrangements to ensure that new employees,' that is not current employees so there is no change whatsoever suggested here to current contracts, 'are appointed on a static pay rate applicable to the role and to their capabilities and experience for it with no incremental increases.'

1795 Now I accept that probably the savings associated with this are a rounding error in the accounts but Deputy Mahoney, in particular, and I were very surprised during the year where we created a zero pay rise year, which was a saving for Deputy Parkinson's benefit, that the bill went up anyway

by nearly half a million pounds and that is because simply of increments creeping up. And the advice that I have had, I cannot help the advice I have had, the advice that has come from the Law Officers is that those increments are now considered to be contractual entitlements.

1800 Which means if you join on the bottom of an increment which has, say, a £10,000 span in it, your pay will go up every year irrespective and there is a right to that provided that you satisfy certain provisions. The Law Officers have given very clear advice on that. So, this is to re-jig the manner in which the States does that and if somebody applies and a role is worth in a particular range because you may have a range of experience, if the employers decide during the interview process that that
1805 person is at the top of the scale then they are appointed at the top of the scale, but that is where it stays unless there is an improvement in training or responsibilities are taken on and so on. That is the proposals, so it is pretty straight forward and standalone.

The next one, number 4, is, 'to direct that any post which has been vacant for six months or more should be deleted and should be reinstated only if the service area concerned can demonstrate that
1810 a post is essential to the continued delivery of front line services,' and I emphasis front line services, that means dealing with things that the public need.

The reason for this is Jersey has already done it recently and it sets out a signal to the service and to the public as well that we are being responsible about our employment practices. We have hundreds and hundreds of vacancies throughout the system at the moment and we need to have
1815 a sort out and a relevant sort out in a central way to decide what is important and what is not, relative to each individual Committee. It is very difficult to do that because every Committee has its own internal priorities; one Committee will say well this is vital, another will say it is not, but there needs to be somebody centrally able to be the arbiter of whether those things are essential or not because we cannot, whether we like it or not, as I said in the explanatory note to this amendment
1820 we have reached a tipping point now in our finances where we cannot continue to fund public services without raising revenue or cut it. There is no option now, we have, literally, gone off the end of the runway and we are into the EMAS zone potentially.

So item 4 then I would urge you to support as well. We need to have a sort through, we need to demonstrate that we are having a sort through, it is not that difficult a thing to do. I think it would
1825 be very good self-discipline in any event.

Item 5 is perhaps more contentious because it does involve making a decision now about something which I know P&R is trying to bring and which it was certainly advised through Treasury staff a policy letter in respect of the Public Service Defined Benefits Scheme is due to come before the States early next year. I am looking forward to seeing it.

1830 Depending on which adviser you speak to you will get different advice about whether a replacement scheme will be more expensive or not. The purpose of this amendment is to say that whatever scheme is brought in, that policy letter should be no more expensive per person in the scheme than what we are doing at the moment; because there is some advice out there that says it will be more expensive. But the point is it does not need to be more expensive if you decide it
1835 should not be and that is exactly what this amendment does, it says please amend it now so that we take risk out. I will just remind Members again the risk of having a defined benefits scheme is that people live longer during their retirement than we expect them to under current expectations of longevity and, therefore, you have to pay their defined benefits, which is a multiple of their salary over the period of their service for a much longer period and that risk lies with the States and it will
1840 continue to do so whilst we continue to accept members into it.

Now I accept there are lots of good arguments here about the ways in which people can be recruited. I am not going to go through them here because I am sure they will be debated at length when the policy letter comes back before the States. So that in summary is those five Propositions.

1845 I would ask Members to give them careful consideration. I fully accept that 1 and 2 are likely to be a bridge too far and I am aware that there is another amendment which proposes something very similar but at a lesser, lower level. I would urge Members to give it their consideration and to accept the amendment so it can pass through into Propositions for voting. You can accept it now

and not vote for it later but if we do end up in a situation where we have no means of raising revenue, we may end up facing 1 and 2 anyway.

1850 Thank you, sir.

The Bailiff: Deputy Mahoney, do you formally second Amendment 3?

Deputy Mahoney: Yes, sir.

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The Bailiff: Thank you very much. Welcome to the two Alderney Representatives. The fog has obviously lifted sufficiently to get you here. Is it your wish Alderney Representative Roberts and Alderney Representative Snowdon to be relevé?

1860 **Alderney Representative Roberts:** Yes please, sir. Thank you.

Alderney Representative Snowdon: Yes please, sir.

The Bailiff: I will mark you both as here.

1865 Deputy Prow.

Deputy Prow: Thank you, sir.

I will start where Deputy Helyar started as well and I would like, also, to congratulate Deputy Trott on his opening speech. He set the scene out for this amendment, actually, very well. All I would say is that it was a very clear and well delivered speech but, as with a lot of the opening speeches, the devil is in the detail and a lot of the detail is dealt with in the amendments.

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Deputy Trott set out that the financial position has worsened and that the overall deficit is now £100 million. He also mentioned under Investment & Infrastructure and importantly, I think, for this amendment he mentioned the lowest tax regime per capita than Jersey and the Isle of Man and the lowest number of public employees; and he gave some very interesting figures and I thank him for that and I think that that does set the scene for this amendment.

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But, sir, first of all I acknowledge absolutely why this amendment is being laid and I have got great respect for both the proposer and the seconder. I thank Deputy Helyar for actually putting it into context what he was trying to achieve from this amendment and certainly I can understand and support the reasons he has done that.

1880

Sir, if this Budget comes away without a fiscal policy to fix the deficit or without a sustainable way to fund our public services and vital infrastructure, then we are looking at austerity on steroids. This amendment and the next one, but I am going to talk to this amendment, are extremely helpful as they assist us in looking down the barrel of that gun.

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However, sir, in my view this is absolutely not the way to do this and I will elaborate on that later. Sir, as President of the Committee of Home Affairs, I have replied to a letter that P&R sent to the Committee and I have actually outlined all the effects of this amendment and the other amendment that may be laid, which is very similar in content, should they be successful.

Sir, the letter is quite detailed and the letter explains and goes into the detail of the dire consequences of this approach. I will not repeat this information now or that detail but the letter spells out what the consequences would be and I am, sir, convinced the public do not want those outcomes.

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But I have to say if the Assembly votes to reduce the 2025 revenue expenditure from that included in the P&R proposal the Committee would strongly recommend against salami slicing Committee budgets. There should be a holistic approach to the allocation of funding which acknowledges the risks associated with real term budget cuts for those delivering front line services.

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For those Committees there should be support for a transformational approach to service delivery which focuses on efficiencies, resilience, sustainability something the Committee has

sought to prioritise this term. Sir, that could be achieved by some of the sub-sections in the amendment but I do not think this is the way to do this. As I said, it needs a holistic examination.

Sir, it is important that I reiterate the Committee, that is the Committee of Home Affairs, recognises the importance of sustainable public services and throughout this term has directed service leads to review how they discharge their responsibilities when ensuring any efficiencies are delivered in a way that does not put the community or the Island's reputation at risk.

The Assembly has recognised funding pressures for delivering essential front line services in its approach to the Committee for the Health & Social Care's budget allocation. The challenges associated with responsive services are also apparent within the Committee. Law Enforcement respond to increasingly complex cases, whether they are historic in nature or driven by the use of digital technology.

The activities of prison, probation and the Family Proceedings Advisory Service are driven by decisions of the court which, in turn, is reflective of activities in the community. Failure to maintain these statutory functions may perversely lead to an increase in the need for the services they provide.

The risk is that we become a reactive criminal justice service rather than one that seeks to divert away from the criminal justice system. We punish but we do not rehabilitate, for example. Constantly looking for savings that simply are not there is becoming a work stream in itself and a distraction from delivering the Committee mandate.

The Committee has recognised that these pressures are outside of its control and has this term directed services to review their target operating models and think innovatively about how they might deliver their services more efficiently and, sir, this is the way I would recommend that other Committees move forward.

The Committee's decision to merge immigration and population management was a drive to promote efficiencies and resilience while improving service delivery. Those Committees delivering essential front line services should be supported to undertake similar exercises. As part of ensuring that services are sustainable it is essential that the support is received centrally and should be provided in the most efficient manner reducing bureaucracy and over engineering oversight.

Ultimately, if this amendment is passed the Committee will need to make the difficult decision about how funding is distributed. Considering the Committee's mandate it is not appropriate to speculate where cuts will be made but what can be said with certainty is that Home Affairs services are already lean and deliver value for money.

In 2024 the Probation Service operated with a budget of £1.8 million; the Prison Service, £6.5 million; Fire & Rescue, £4.5 million. The impact of the 2025 Budget is, at best, if P&R proposals are supported, the Committee will be nearly £2 million short of the funds that service leaders have identified as necessary to maintain service delivery.

That would mean that the shortfall in the budget is as much as the total budget of the Probation Service. The Bailiwick Law Enforcement is allocated the most significant proportion of the Committee's budget. In 2024 that was £20.5 million, an increase of £1,165,000 was identified as necessary to maintain service delivery; in 2025 only £715,000 of which is supported by the current Budget we have before us. Even without the amendments, Bailiwick Law Enforcement would be forced to prioritise its resources and revisit risk appetite. In summary, I support the amendment in the sense that it is a very good debate for us to be having and a very good discussion but I cannot support it.

Thank you, sir.

The Bailiff: Deputy Aldwell.

Deputy Aldwell: Thank you, sir.

It is not easy to put into words how I felt when Amendment 3 and 14 landed in my inbox and I just know my heart sank and I felt a great sadness. I can only speak on the knowledge I have from sitting in Education, Sport & Culture and Home Affairs, knowing the wonderful, dedicated people

who work under those Committees, whether our school teachers along with the third sector which support them or all of our wonderful services who keep our Island safe, the Police, the Border Agency, the Prison, Probation, Fire & Rescue. We are continuously asking them to do more with less and if these amendments were to succeed this would probably be the straw which breaks the camel's back.

Last month I spoke on domestic abuse legislation brought in by Home Affairs and all the people working across our community to bring the best outcomes for those Islanders who are vulnerable. I could not single out the Police, the Probation, the Crown Officers, the judges, Safer or Victim Support, because all of those individuals play a valuable part to tackling those heinous crimes. Taking out one element would collapse the support network after they had worked so hard to improve the outcomes and for those victims of domestic abuse.

The same could be said for Education. Everyone has worked incredibly hard. By putting in a pilot interim governing board this has given Committee Members an enormous insight into 20 school settings, which has not been the case for previous Committees. By the first week of December I would have completed 80 and because of those governing boards I understand in each school where each group sits in academic achievement, which curriculum subject is fully embedded and which needs work. I know each year group's attendance and barriers to those students learning or attending school and I know the behaviours and the mental health issues.

I know about the teachers' wellbeing and the schools achievements and I have asked hundreds of questions challenging and building relationships with those schools. Coming out of COVID, which was only really two years ago, has been hard on those school communities and it is not all about academic achievement, it is about the whole child, a well-rounded child, a happy child and it is about the child achieving their individual best because children all come from a different starting point.

To get the best out every child, to give the best chance to succeed for Guernsey's future we work with the third sector and grants are awarded with SLIs, KPIs to the Sports Commission, Youth Commission, Arts Commission, Health Commission; we support the Music Service, Guille-Allés Libraries, Museum Service. All those elements give our young people a rounded education and a support network.

Cutting budgets would put the wellbeing of our children at risk (**A Member:** Hear, hear.) and it is they we need to invest in as the UK are doing so. After all they are our future. Cutting budgets would be setting them up to fail. We have come a long way but we are still on a journey from our 'good' Ofsted reports to 'excellent' and it would be a crying shame to pull the rug from under their feet, sir, and it would actually be irresponsible.

Unless you sit on a Committee with a social responsibility and have taken the time to understand the value of the roles under your mandate you cannot possibly understand the potential devastation which cutting budgets would have in those sectors for the people of this Island.

It has been said many times, that our spend is much lower than other jurisdictions, £13,000 against £15,000 in the UK and Jersey. I cannot agree to vote for amendments which have the potential to cause such harm across the Island. This is a false economy to me, it just does not make sense.

Thank you.

The Bailiff: Deputy Brouard.

Deputy Brouard: Thank you, sir.

I am not sure of the point of this amendment, if I am honest, sir, I do not know whether it is flag waving, shroud waving or just waving. (*Laughter*) If anyone knows the need for funding, I think, it is Deputy Helyar who brought GST only a few months ago to us. So maybe he is playing a blinder. This could be a very clever amendment to bring us all round to GST as this is the reality (**A Member:** Hear, hear.) if we really want to provide the services that our Islanders are demanding. (**Several Members:** Hear, hear.)

Now, I just digress slightly, sir, people mentioned the number of staff that sometimes we have increased by in HSC but I am just going to pick a couple just from the last year or two. We took over St John's Residential Home, not part of Government, someone had to and we did, collectively, whether you liked it or not, but another 47 staff. The Havilland Ward, set up to help with those people who are having their new knees and limbs corrected and, I think, Deputy Leadbeater opened it for us, again, 21 staff all there to help. We do not do it for fun, it is all done for reason.

I am just going to pick up a point Deputy Prow made about efficiencies. Yes, I am sure efficiencies are there and as Deputy Helyar said, with an £800 million budget there are going to be some efficiencies, but we also need the staff resources to find those efficiencies, we need the staff resources to do the work arounds to make sure that they are there and we also still need to keep doing the day job and the day's operations.

We still need to get Mr Smith out of bed in the morning and give him his early morning wash but all these things have to happen as well. This is the day job that also happens while we are also looking at efficiencies and how we can do things better or use AI. But please, this is my plea to you, do not hide under that blanket that somehow there are efficiencies out there that are going to put our finances back straight. You are just deluding yourself and even worse you are deluding the people who elect you and if you are coming up for election and you are going to use that as your blanket that you are going to find the efficiencies that are going to pay for everything so that we can reduce staff, I think that would be very unfair to Islanders.

Again do not salve your conscience by voting for a territorial tax because you can say now, quite happily, 'Oh, I would have voted for a territorial tax so I am alright so I do not have to do the heavy lifting with the GST or whatever.' That does not work either, people can see through that.

So that is why the numbers, I think, increased this time for territorial tax because it is somewhere for people to hide. We have got to stop hiding, we have got to reach the reality that we do need more funds because we are having a demand for increased services. **(A Member: Hear, hear.)** I do not how else I can describe it, I mean, either you know it or you do not. **(A Member: Hear, hear.)**

We are elected to govern and that can be painful but please do not come into Government and almost like join the kitchen staff expecting it to be cold. When you join the kitchen staff it is going to be hot and it is hot in Government at times and we have got to be responsible individuals that look further than ourselves or the next election of whatever it is and we have got to look for what is best for Guernsey and, I think, the majority of the people in this Assembly know what is best for Guernsey and they know what has to be done. Deputy Inder knows as well because he is telling somebody else what needs to be done! *(Laughter)*

So, please, if this amendment is a really clever way, and I have missed it, that it is going to force us around to GST, thank you, but please ... I was going to read out a list of all the things that we are going to cut. I did this once at a scrutiny meeting and it did not play well, *(Laughter)* it did not play well at all because what happened was the media misinterpreted it as this is what is going to happen and this is what we want and the next day I had them all clambering as to why I am doing this.

I have the list here. I hope Deputy Trott does not leave out the list because he has got it as well. *(Interjection by Deputy Trott) (Laughter)* Okay, thank you. It will just get hares running all over the place but it is not pleasant, it is a blood bath, honestly, to take £10 million out of Health for next year, well, welcome to that. It would be extremely painful and if you think people are upset now about how we govern you wait until this happens.

So, please, this is going to be my last term in the Assembly so I give this information to you with a genuine heart. Please do not go down this route, man up or woman up or whatever the latest word is and let's progress with a sensible, sustainable form of taxation that has some chance **(A Member: Hear, hear.)** of meeting the aspirations of our Islanders.

Thank you. *[Banging on desk]*

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Thank you, sir.

I think many people know in this Assembly in the run up to the Budget proposals by the P&R Committee that I was an outlier. I was not a supporter of increasing Income Tax and I only agreed in the end, reluctantly, to support them on the basis that we put in measures to ensure that they were only there for a short period of time, well knowing that we have got an election coming up and anything can change but I think it is important to signal to our community that we are taking this very seriously.

Since then our financial position has deteriorated or at least the information that we are getting now is even worse, but had I had to continue with my views I would have had to bring either an amendment or a minority report that would have, perhaps, looked something similar to this. So I do thank Deputies Helyar and Mahoney for bringing this because I think it is important for us to consider the implications, some of which Deputy Brouard and others have alluded to, if we are going to be serious about this.

However, there are three particular clauses in this amendment which I want to address that, actually, are misleading or can be misleading and I will do them in reverse order and we will start with point 5 on the amendment which deals with the current pension scheme. Now, there is a view amongst some of us in this Assembly and, indeed, people outside that we would make massive reductions in costs if we moved to a Defined Contribution Scheme. The Actuary and all the advisers that we have had have looked at this again and again and we have asked them to analyse the information and it is quite clear that if there are any savings to be made they would not be made in any way immediately.

Meanwhile this could actually cost us more in both the short term and in the long term by moving the risk, that is the one advantage of it, onto the employees but at the same time causing us all sorts of difficulties in recruitment where our scheme, in order for it to be transferrable in and out, recruits heavily, particularly from the UK, where DC Schemes are not, generally, in place in the public sector.

In certain areas, notably in Health, where we are already having difficulty recruiting, this would make it doubly worse. On top of that the current career average scheme which was negotiated over a number of years – it took, obviously, some time to put together – is proving now to be both cost efficient and effective as a means of providing long term security and attractiveness to recruit to our key staff. So I do not believe that, and I am encouraging Members to take very seriously what I am saying, this would not save any money, it would be a lot of work to, actually, cause more problems than it seeks to resolve.

Point 4, which reads:

To direct the Policy & Resources Committee, in its role as the employer of the public sector workforce, to direct that any post that has been vacant for six months or more should be deleted, and should be reinstated only if the service area concerned can demonstrate that a post is essential to the continued delivery of frontline services."

There is a degree of merit in that, I would give you that, and I think it is certainly something that is worth looking at in terms of what that does to the budget and the cash limits that are given to various Committees. However, in terms of actually saving much money it does not do so. So, again, it creates a whole load of extra hoops to jump through with, I think, very little benefit in the end. It may fly a flag, as Deputy Brouard was alluding to, but it does not do more than that.

Clause 3 talks about changing the pay scales so that new employees are on static pay scales. Well this, again, looks attractive when you do not know what the pay scales actually represent but, first of all, it would not save that much money because the majority of our workforce currently are on the top and any new ones tend to be put on the bottom of the pay scale because the top increment is deemed to be the real pay for the job and you work into it over a number of years, that is how they were worked.

Most of our pay scales are based on, or equivalent to, pay scales in the UK public sector. So, again, the difficulty would be if we started to do things differently to that there would be even more difficulty in recruiting, particularly in areas such as agenda for change which is nurses and medical professionals but also elsewhere, in teaching, in Prison Service, Police Service where there are links

2105 to the UK pay scheme. So I would not encourage us to do that because, again, it would mean we are creating more problems than we actually are resolving.

But I come back to this initial point, I think, it is good to look at this amendment because it helps us, at least I think, for all of us to see the situation is far more complicated than we think and just when we think we are resolving an issue to use an analogy that, I think, Deputy Helyar has used in
2110 the past when he was Treasury lead, it is like that kids game where you hit one toy, one head and something else – (*Interjection*) what is it called? It is a mole! I should know that, I am a grandfather now, but anyway – and others pop up elsewhere.

These issues, primarily, will cause us to have more moles emerging in other places when we think we resolve the issue by whacking one on this side. So I cannot support it but I encourage Members
2115 to take seriously what I have said because these are the issues that we are facing and they are not simple to find solutions to.

The Bailiff: Deputy Ferbrache.

2120 **Deputy Ferbrache:** Sir, the person who has got the best economic mind in this Assembly by a country mile, and that is no disrespect to anybody else, is Deputy Helyar. He understands figures, he has worked in the private sector, he has worked in the public sector and he has been self-employed.

What he says has a lot of senses. Now, what the last four speakers have all said is, 'Oh, this is
2125 very difficult, we cannot make any changes, it will be too problematic,' (**A Member:** Hear, hear.) and to their individual sense, and they are all people whose views I absolutely respect, people with integrity, they are right, but we have got to start telling the people the truth.

I am not going to be voting in favour of this amendment, let me say that, because it is impractical and I do commend P&R because they put up costs as little as they possibly can. Deputy Trott
2130 explained that. With the figures they were asked for an extra, I may have got the figures wrong, £32 million and they allowed another £15 million or £16 million.

So about half of the extra costs they turned away, in relation to that, so they have done their job as best they can but we have got to start telling the public the truth and the only people that have been consistent in the last two or three years in relation to tax raising, and I mentioned Deputy
2135 Parkinson being in the wilderness, were the disciples named Deputy John Gollop and Deputy Peter Ferbrache were the only two that said, regularly, you need another £100 million.

I said it lots and lots in P&R, as my colleagues will remember. We need another £100 million of income. That is the figure that Deputy Trott has, and when I say conveniently I do not mean that in any disrespectful way, conveniently referred to this morning we need another £100 million. We are
2140 not going to find it by rummaging round in our shoe box, we are not going to find it by opening Deputy Trott's money box, (*Laughter*) we are not going to find it (**A Member:** Oh, I don't know!) in relation to that, we have got to make difficult decisions.

Now we tried and tried to make difficult decisions and we were told, there was something called the fairer alternative which was half baked which effectively said you do not need that amount of
2145 money, let us do it over a more gradual period of time. That was an absolute disaster. That came within one vote of being approved by this Assembly just 12 or 14 months ago. One vote, a piece of economic madness (**A Member:** Hear, hear.) but it was telling the people you do not have a real problem, it is not a real problem in connection to where we are.

But we have got to look at the reality of our financial position. Now what we are being told, if
2150 you look at the figure that Deputy Helyar has referred to, at paragraph 1 of his amendment, it is talking about 'to amend Proposition 29 by replacing £650 million with £610.3 million and deleting the words' etc., etc.

So let us look at Proposition 29 in connection with where we are. Now Proposition 29 is the one that says, in connection with the finances of the States, that we have to look at a revenue budget
2155 of £650 million. So, if we turn to that and if we then turn to page 126 of the budget report we can see where we start looking at some figures.

Now page 126 shows Corporate Services and that shows that having expenditure by category actual in 2023 £68 million, nearly £69 million, and now in 2025 £84.5 million. Now, in business, I know we are running public sectors things, we have got brilliant services. You go to A&E, wonderful. Our school system, I am sure could be better, but it is wonderful, it is on the right road. We have got a Police Force and Border Agency that we can be proud of and they were under numbered and under staffed and they have been under numbered and under staffed for many years; we can walk down our streets safely. We have got good medical services; we have got good educational services; we have got all the other good services. They have got to be paid for.

Somebody said we have got to start making difficult decisions. Yes, yes, yes. We should have done it 12 months ago, we should have done it two years ago, it will be interesting to see if we are going to do it in the course of this week. It will be interesting to see if we are going to continue, and I know it is for another matter but I am still referring to it as it does relate to expenditure, we are going to bash the middle class as Deputy Parkinson describes it, the people earning £50,000, £60,000, £70,000 a year. We are going to increase Income Tax. How stupid.

But anyway, let us look at the revenue and where we are in relation to where we are. So we have got an increase of about £15 million; Economic Development are actually splendid ... No, they are not, they do not get all the praise. Sorry, I have got to take that back. Deputy Inder will probably get annoyed with me but he gets annoyed quite regularly so that is not the end of the world. *(Laughter)* But page 128 we have got Committee for Economic Development actual £10.8 million; £2024, £12.2 million so that is an increase of £1.4 million.

Not every Department has increased; Education, actually, we are educating our kids, we are educating our apprentices, we are doing nursery education, we are doing all the things that Deputy Aldwell said; I commend them, I think they are doing a brilliant job. They were left with a half-baked ideological change which people wanted **(A Member: Hear, hear.)** for no particular reason, they had to pick up the cudgels or baton, or whatever we call it, this term and they have done it magnificently but they are not finished yet. I bet they are not half way there yet and I do not mean any disrespect to what they have got. Their budget which we see at page 130, £89.2 million in 2023, £92.8 million in 2025. That is a pretty modest increase over a period of 18 months, two years in my view.

We know Social Security has got the biggest increase but I can understand that because most of that is third party payments, i.e. benefits, that is what that relates to; and Health has always got to go up because, I think, Health is efficiently run. No doubt, you could say we could get rid of this nurse and we could shut that and we could do this.

When Deputy Brouard tried that a couple of years ago I did not see them literally but figuratively I had in my mind there were effigies of Deputy Brouard being burnt alive because he had the audacity to suggest that there should be some public acknowledgement of the rise in expenses. Of course that did not happen and he had to beat a retreat and, no criticism of him, but he had to beat a retreat because the public were banging the drums. I am mixing my metaphors, aren't I, but people know what I mean *(Laughter)* in relation to all of that.

Sir, I cannot vote for the very well intentioned, from a person I respect greatly having worked closely with him for three and a bit years and a person who is a category above the previous, no disrespect to those Finance Ministers, Treasury Ministers, category above their qualities and I listen to what he has to say.

I think he is putting out a marker really, to say if you had a business in parlous economic times – that is the phrase Deputy Trott has used and I agree with that completely – and said okay we are going to increase over a period of two years our expenditure from £610 million to £650 million, 7% or 8%, whatever the arithmetic is, you would not be able to do it, you just would not be able to do it. You would have to say, 'I cannot do that, I have to close the doors of my factory or my restaurant,' or whatever it may be but we do it because we have got to provide public services to the public.

We cannot tell Mrs Le Page that she cannot have a carer we cannot tell Mr Jones that he cannot sent his kids to Beaucamps School, we cannot do any of those things because those people have

got a right to expect it. The ordinary Guernsey people, the guts and heart of our community have a right to expect good services.

2210 They also have a right to expect, which we have failed to do this Assembly, the previous Assembly and the Assembly before, to tell them the truth about the finances: that we need to increase taxes. However efficient we should be and we must be as efficient as we can and we are not as efficient as we should be, we are going to have to increase taxes by a catastrophic, cataclysmic amount, by a big sum – let me try and use better words I think – (*Laughter*) by a lot of money. We are going to have to do that because that is what we have got to tell the people.

2215 I shake my head in wonderment. Deputy Brouard, who speaks such wisdom when he speaks and I am not giving him any money for saying that (*Laughter*) but he speaks such wisdom when he speaks, made the point: forget GST. I do not care if we discover oil in Torteval, I do not live in Torteval, some people here do; I do not care whether we find uranium in St Peter Port, I do not care but we are not going to do that. (*Interjection*) We have got to do something that is practical.

2220 Now, I do not understand the point about why can't you say to people who are joining in a couple of months' time, 'You are joining on a different pay scale.' You either accept the job or you do not and I fully accept if His Majesty's Procurer says it is a legally binding commitment because you have entered your employment on the basis of you are going to go over a five-year period and you are going to increase your increments and you are going to get extra money, that might be true. I accept it is true, as a lawyer I know it is true.

2225 But sometimes when you have got a business that is not going well you have got to say to your employees I am afraid I need to talk to you about varying your contract. I cannot go ahead with what I proposed because it is going to be difficult. I do not know if we are having those kinds of conversations; if we are we should.

2230 Now Deputy Helyar said it was just a rounding figure in relation to this, just a rounding figure; £450,000, which is what you would save by not having the regular annual payments, to me, is a significant sum of money. It is more than a rounding figure, it could pay for another five or six teachers, it could pay for another six or seven nurses. I do not know the exact arithmetic and I do not think people are expecting me to do that. It could do all that stuff.

2235 The pension thing, my goodness me, I remember when I left the States in 2000, Douzaine Representative Rupert Evans, who was also a legal partner of mine, said the States are going to have to change because in the UK they are changing from final salary pension payments. They are going to have to do that. It took the States, I think, 16 years to do that; Treasury Minister Trott did not do it, Treasury Minister Parkinson did not do it, Treasury Minister, who is not here today, St Pier did not do it. It should have been done much sooner.

2240 Now I accept what Deputy Le Tocq said because I saw the same figures, I do not think they have changed in the 11 or 12 months since I have not been in office and he is right, it is on the cusp. It should be kept under review though because it may change because I think public authorities in the UK are looking at changing it over a gradual period of time. So it is something that should be kept under review.

2245 So I very much commend, even though I am not going to vote for it, Deputy Helyar's amendment. It is thought provoking. You cannot have the penny and the bun, as Deputy Gollop often says, you have got to be able to make some decisions. Please make some, please bring in GST. I had better sit down.

The Bailiff: Deputy de Lisle.

Deputy de Lisle: Thank you, sir.

2255 It is a worthwhile amendment, as Deputy Ferbrache has stated. It is essential actually for the Government to show restraint, it is essential to make every effort to achieve savings, it is essential to halt increasing public spending and essential for Government to cut its cloth accordingly, particularly with a structural deficit, let alone an operating deficit, of £24 million to £30 million that we have been told today.

2260 Sir, the States at the beginning of this term were to cut 200 posts. Deputy Ferbrache wanted to do something that was practical but this did not happen, sir. We were expectant but we were let down. Instead, public administration has risen from 5,548 employees in 2019 to 5,937 employees this summer. Now that is an increase of about 400.

2265 **Deputy Trott:** Sir, on a point of correction.

The Bailiff: Point of correction, Deputy Trott.

2270 **Deputy Trott:** I do not think Deputy de Lisle was intentionally misleading the Assembly but he must talk in full-time equivalents. We have 5,058 full-time equivalents as of yesterday in the public service, of which 3,000 are nurses, doctors and teachers alone.

The Bailiff: Deputy de Lisle.

2275 **Deputy de Lisle:** I think Deputy Trott is misunderstanding the point that I made. I am talking about public administration in this Island and that has gone up 400 and if you look upon that as in the region of £50,000 a year each we are looking at £20 million that we could have saved by not increasing public administration to that extent. In comparison to that growth in the public service or in public administration, we are looking at the private sector shedding employees because of the
2280 current climate that we are operating in the private sector.

In fact, finance has reduced during the same period, between those two dates – I am talking about before 2019 of this year and today, in the summer – we are looking at approximately 500 reduction in the finance sector and in the wholesale retail sector we are looking at about 400 reduction.

2285 Now those industries have realised that they have to cut their cloth in order to survive competitively in the Island's economy. Meanwhile, of course, as I was saying, public administration has increased to the extent that I have already stated and not really abided by the climatic situation that we find ourselves in in the business area.

2290 This is a concern. Total disregard to what is going on out there and taking actions that really are absorbing people from the private sector into Government at a time when perhaps we should be doing the complete opposite. Now, control over the staff establishment, I maintain, is important in maintaining disciplined and controlled oversight over the number and cost of public sector workers.

Now the States previously had a staff numbers limitation policy which sought to co-ordinate such control but it was removed and replaced with devolved controls at the Committee level. Now
2295 there is urgency in bringing back a disciplined and controlled oversight over numbers and costs of public sector workers along the lines that were formerly introduced some years back.

So one of the financial implications of what has been suggested in this particular amendment, the financial implications to the States of carrying out the proposals into effect are a reduction, in fact, in the budgeted costs for 2025 of £30.7 million. Now that would certainly deal with the
2300 problems that I was talking about in terms of the structural deficit and also the operating deficit, at least it would bring a start to countering the current problem in Government.

So what it means is that we can do this by rationalisation in public administration and I must say that in my career I have been asked to deal with one-industry towns that are inflated by Government, in the private sector, I have been asked to do that and to deal with the problem
2305 through diversification by bringing high tech industry, developing the tourist industry and resolving the problem of a one-industry town as we had in the national capital of Ottawa in Canada. That was very successful and no longer is that a one-industry town.

So I think we have got a lot to do in terms of growth, development, economic development and diversification in order to resolve our current problems but, initially, now we could do something
2310 very quickly and I have seen other Governments doing it, rationalising their Civil Service by a third,

I have seen it and I have been part of it and, I think one of the problems is a lot of people do not have the experience of having worked in these systems and having seen what goes on.

2315 When a Government changes in North America all hell breaks loose and the Civil Service totally changes, particularly when the conservatives come in (*Laughter*) but that is another matter. But it shows how other jurisdictions are working in order to cut back, show restraint, achieve savings and halt the increases that have gone on in public spending.

2320 So I firmly support this amendment. I think there is a lot in here for us to consider and I was pleased to hear Deputy Ferbrache also saying that there is lots here to consider. I have been disappointed that in announcing right at the beginning of this term that we were going to cut 200 posts that we never got around to it and instead, as they say, the public administration sector of this Island has gone up another 400 posts in that time period.

Thank you, sir.

2325 **The Bailiff:** I am going to run round a number of Presidents next so Deputy Dyke will have to wait and I will start, I think, with Deputy Dudley-Owen.

Deputy Dudley-Owen: Thank you, sir.

2330 I do have quite a number of comments to make on Deputy de Lisle's views and regarding diversification, rationalisation and, I think, I would just say in regard to the diversification and attracting high tech entrepreneurs, the low foot print, high value entrepreneurs that are our unicorns in Guernsey they want to come to a place that has got certainty and that the Government has got the back bone and bravery to invest in the Island, not to be cutting back services.

2335 They want to come to a place that is going to give them a return on their investment, not that they have to live hand to mouth in but I think that probably sends the tone and tenor of what I am going to be talking about now. I think I will follow many others who have said, you know I have got a great deal of respect for the two movers of this particular amendment and I think it has been brought and I hope that it has been brought in a way, and actually it is doing this, to draw us out in terms of that vital communication about what it is that we actually do in Government, what services we actually provide, the value for money that we feel, as Committee Members, that we provide for
2340 taxpayers' money, the impact, the positive impact and, really, we can all do better, can't we? We absolutely can. Yes, we can make efficiencies but it has got to be done for greater or the same type of impact; it cannot hurt people in the street, especially those more vulnerable who do not have the wherewithal or the means to be means to be able to support themselves in a way that the rest of us do.

2345 So we have got to keep that in the forefront of our mind and, certainly when we are talking just specifically about the education part of our mandate in Committee, my absolute litmus test is the young person, the child in the classroom, can it be done as well as we are doing it now or better, for the same or less? If it can then let's go for it but if we are starting to talk about more expenditure, we have really got to justify that but make sure that it has got a positive output.

2350 So, suffice to say, that should either of the amendments – and I am talking, as well, about Deputy Dyke's and Deputy Vermeulen's amendment – be successful we would, naturally, have to consider all aspects of services and support that are provided under the Committee's mandate.

2355 Similarly to Deputy Prow and other Committee Presidents, I was asked to give an appraisal of the impact of the amendments to the Policy & Resources Committee and what I am going to say is roughly based on that, it was not a huge in-depth letter, but it did say really the impact is going to be quite severe and with the majority of the budget for Education, Sport & Culture allocated to pay in the delivery of services for schools and settings and the need to maintain our statutory functions, which is putting teachers in front of classes, those services which are currently in place to support our most vulnerable children and young people will be put at risk.

2360 This could result in the redundancy of some essential roles and is likely to have a disproportionately negative impact on those learners who are more vulnerable and those for whom early intervention makes the greatest difference in terms of outcomes and life chances and this

would, of course, be counter intuitive as we know it is the case that early intervention can avoid costs to public services of support as young people transition into adulthood and beyond.

Now speaking to a point that Deputy Helyar made around his Proposition 4, I do understand the motivation here but I would like to provide clarification and reassurance that the Committee has spent significant time working on an education workforce strategy and that, actually, preceded this particular Policy & Resources Committee and work was started some time ago.

It is a live document and it is designed to support the recruitment and retention of a skilled workforce across all roles in schools and services, including teachers, learning support roles and administrative roles; and it is designed, specifically, to support the overall Education Strategy and the goals therein.

So that ensures that each role has a purpose which is tied into delivering the goals within the Education Strategy. So we are already thinking and working smarter within the delivery of our services, exactly as Deputy Helyar has outlined. But noting that there is no direction from either amendment here as to where the cuts should specifically be made, we know that if we reduce front line staff, cutting initial teacher training, for example, or CPD or nursing degree teaching programmes, these are all false economies; because, of course, what we are doing is we are trying to gear up for the Guernsey of tomorrow in the short term, of months and years, to ensure that we have got a local workforce and resilience to be able to deliver the services that we so much need.

Of course the Committee would need to look at areas of central support services and administrative functions whilst ensuring that the States can continue to meet its obligations and responsibilities regarding safeguarding, which is absolutely key, governance, inspection and school improvement.

In addition to reviewing expenditure on services which are directly delivered the Committee would need to also consider reducing or ceasing grants entirely to third sector partners such as the Youth Commission, Sports Commission, Arts Commission, Guille-Allès Library which would have a further and significant detrimental impact on schools and the community. Some of those areas also feed in to areas under Deputy Inder's mandate within the Committee for Economic Development in terms of our cultural and heritage offering in order to improve and maintain our tourism product offering.

So the Committee remains very concerned about the provision of education on Herm Island. Ceasing this on-Island provision would not only reduce costs but, more importantly, secure a higher quality of education for the children and community which is becoming increasingly challenging to deliver, with so few children on roll or projected to be on the roll. This information has been shared, last week, with States' Members but it has not been made public so there may be some gasps if you have not read your emails yet.

We are currently under States' Resolution to continue the provision, which will cost the public purse up to circa £200,000 in 2025 dependent on the number of children and the stage of education that they are at. Presently, keeping in mind that the annual window for registration for children entering reception year in 2025 closes on 25th September, we only have one child registered in the Herm classroom for September 2025, this could rise to two by the time the new school year starts.

But Members in this Assembly voted for that. All the information was put out to Members in advance but Members chose to ignore that. So we are talking about savings here that could have been made opportunities, Deputy de Lisle, to reduce the public administration and the burden on the public purse but there are two areas that we had to look at, quality of education and value for money, neither of which could be met through that provision yet Members, by majority, chose to support that; we only have ourselves to blame.

I will give way to Deputy de Lisle.

Deputy de Lisle: Sir, I have to remind Members that Herm Island is bringing in over £1 million, in terms of various taxes from employees and also from Excise Duties, to this Island. It also paid, what was it, £440,000 to the Island for its extension of the lease. So the fact is that you have to look at the £82,000 or the £80,000-odd that is in excess in terms of the Education Department's spending,

2415 you have got to look at that against the fact that there would be no Herm economy should this educational provision be provided on Herm because parents are not prepared to send their children, every day, by ferry to Guernsey and the test case we had where children were being sick on board. So arriving at school having been sick on board is not a good start to the day for any child.

2420 So I think, in all, you also have to remember that the business in Herm is not making money, in fact it is losing money, and that has to be brought out very clearly. What other individual would take on that loss and will the Government choose to take on that, (**A Member:** Point of order, sir.) I doubt it very much. So if we want a Herm Island economy we have got to actually provide education on Island.

Thank you, sir.

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Deputy Dudley-Owen: Well, I think that we are in danger of re-rehearsing the arguments and I think that there is an awful lot of information out in the public domain in addition to *Hansard* records to refute much of what Deputy de Lisle is saying which, actually, as far as we are able to discern cannot be evidenced from information that we have been able to get hold of through Treasury.

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Suffice to say, the Savings Sub-Committee has identified savings of between £10 million and £16 million as per submissions made and is appended to the Budget. But, again, this Assembly, future Assemblies, have to have the wherewithal and the ability to make difficult decisions in order to realise those savings and I just cannot see that that can happen because there is no coalition around exactly where those savings need to be made and I understand the blunt instrument of the amendments laid in this instance because that is the easiest thing to do, is to put a freeze on budgets but there is significant impact in doing so because it is, in actual fact, a real terms decrease.

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The financial year and the academic year do not run in sync with each other. Much of our front line service delivery is already in place and planned for this academic year and, therefore, there will be few areas where immediate in-year savings can be made. Consequently, any reductions or removal of services to remain within the 2025 cash limit will be concentrated in the next academic year, the 2025-26 academic year, making the impact more acute.

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So whilst the UK government is investing in education, both in capital and revenue, we might potentially find ourselves in the unenviable position of having to do the opposite and, indeed, risking the substantial gains made through the investment in support for learners impacted by the disruption of the COVID-19 pandemic.

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Now, I have asked officers for some real world instances where we have had those real returns on the investments that we have made in Education which was supported by the previous P&R Committee and I have had a few anonymised case studies and I want to just pull out two of them because I think that it starts to illustrate the real word impact and I have got one, learner B, let us call them Alfie. This is a fictitious name, absolutely fictitious name, but a real life circumstance.

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Now, Alfie has struggled to access education for most of Year 8 and all of Year 9 due to his complex additional learning needs. Through a very detailed and very slow bite sized-targeted intervention programme delivered with additional support within the main stream secondary school Alfie's attendance rate is now an impressive 97% and he is now accessing GCSE material in school. As a result, the future for this young person is looking much more positive. Now I think we can all agree that is a great outturn.

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Learner D, let us call them Ellie – again a fictitious name but a real life circumstance. Ellie has not been attending school due to significant mental health and wellbeing issues which are not uncommon. Due to the flexibility of the Education Outreach Service, Ellie has been able to receive and maintain support and access to education at a time when she simply feels too unwell to go to school.

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The service is maintaining the relationship with Ellie being a continuous and dependable support to Ellie. Remember this is fictitious name and sex but real life circumstance. Through this support, it is more likely that she will, in due course, return to the classroom which, of course, she will be more

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likely to achieve her potential and become a productive, contributing, I hope, satisfied and happy member of society.

Now these are just two out of thousands of individual stories that I could talk about, each of our children, young people and adult learners have a real life story worth talking about, where outcomes are being enhanced and improved with the support they have received which is funded by the public purse as outlined in the Budget figures for 2025.

Having these services means that children's needs are met, they do not get lost and for the young Islander that I called Ellie, she is prevented and safeguarded effectively for dropping out of the system at a young age. We are enabling these children to succeed and reach their full potential which, ultimately, for the Island, for the economy and for the Island as a whole for their personal fulfilment is absolutely essential.

Any reduced spend on Education within the Bailiwick would have a detrimental long-term effect on these gains that we have made in improving the support, the quality of education, they will be rolled back for our Island. In the short term this will, undoubtedly, be viewed negatively and has a potential to further exacerbate our recruitment and retention of essential teaching staff – a matter of which Members were very interested to learn about from a previous States' meeting question time and Deputy Inder and I have been corresponding about our ability to be able to recruit maths teachers.

Well that all goes out the window with the effect of these two amendments. Stability really matters in Education, just like it does anywhere else in the community and we are just at that point, now, of being able to boast of stability really coming through and showing those benefits – a significant gain and improvement in the situation which would just be rolled back as a result.

In short, the Committee considers that if it was to be faced with any of the changes in the proposed cash limit it will have no choice but to make unpalatable decisions which will, undoubtedly, have a negative impact and reduce the education service that is provided to children and families within the community as well as limiting the offer on culture, sports and recreation which would be detrimental to both the Island and visitors. The impact of this would be felt for many years in the future and will inevitably affect the strength of our future skills base and, therefore, our economic prosperity and the associated consequences that brings.

Thank you, sir.

The Bailiff: I am going to take Deputy Inder, then Deputy de Sausmarez and then Deputy Roffey. Deputy Inder.

Deputy Inder: Thank you very much, sir.

I will be shorter than most because I think we have all got a rough idea where we think this amendment is likely to go and it is a shame because there are elements in it I actually quite like.

Members, I would like to draw your attention to reducing the cost of services and I have read this, somewhat, differently to Deputy Dudley-Owen.

The Sub-Committee report has had 2,385 ideas presented to it and in the appendices towards the back of the Budget there is a tier one table whose top priority is restructuring but its actual big idea, as a Committee, is to create another Sub-Committee to look over the £10 million to £16 million of savings that I am not entirely clear what they are.

Now, and there is a reason why I am not entirely clear what they are, before people get too excited about these savings, because it actually says it in the same report. So in 4.27 the report states 'it is not certain' and elsewhere the report says that the tier one initiatives are 'not resourced'.

Well, we all know what that means more people, more resources and more staff, effectively, more money. So there are some people within the Sub-Committee that are likely to support elements of this amendment that are actually, by their own admission having worked on something for two or three years, cannot deliver on the savings that they have been looking at.

I am not making this up – for once! – (*Laughter*) because I did not write it and it is actually there. So I am going to struggle to hear from Members of that Sub-Committee who want to support this

amendment yet, by their own words, have effectively said that the savings are not certain and, actually, to deliver them they are going to need more resources. We do act somewhat, I am not going to use the word, one-eyed sometimes but we see what we want to see.

Now, not for the first time Deputy Ferbrache has nearly complimented me and my Committee, (*Laughter*) even though he could not actually bring himself to say it. He is right, we have done very well and I thank him for what he did not say! (*Laughter*)

Deputy Helyar is entirely correct, in an organisation that spends £800 million we, of course, can save money, we must be able to; but as he goes on to say it is not going to be £100 million. But, unlike the private sector – where some of us have worked, not all of us – we actually act as, effectively, the HR and directors.

We are not that connected to it; all we do is really control our budget and I have had that conversation. I will not go into exactly what it is but my Members will remember. I was told explicitly, one service area of my Committee, I know that they could have saved our money and I was accounting heads effectively and saying I think we could lose five members of staff. I was told I could not do that, and rightly so, I cannot go in with a machine gun and chose Jack, John, Paul and Sharon.

I tell you what I can do, I can reduce my budget and that is what we did. We got the Committee together, we dropped the budget and we got the Civil Service to deal with it and those Members that spend their lives saying that, either by States' email and there is a few of them or on social media and there is a few of them, say that we can either de-layer the public service, de-layer the Civil Service is a great little trope, and they go on to say we will get rid of the active something unit, well, I would not like to say, or more generally they say there are too many civil servants.

It plays really well on the steps of our Court and it plays really well out on social media but not one of those people who have ever actually said that, to my memory, has brought an effective amendment that has persuaded this Assembly to de-layer that Civil Service, to get rid of those civil servants, to actually identify where are the services that they think we should not have but we hear them talking about it on social media.

You have heard me say this before, we all have a privileged position here, we really do: do the work. Do the work because we are the only people that can do the work and it is not fair and it is not reasonable to go out via media, social media and just say these random things like 'de-layer the Civil Service'. It means absolutely nothing. You have got to do the work.

Now where I am on this amendment is I like elements of it and quite clearly I cannot support it in its entirety which is a shame really because I do quite like the look of item 3, item 4 and item 5 but Deputy Helyar will know that I cannot support this because this is not to insert, this is to replace. So what I am going to say, I think, this has been, hopefully, a short debate but I do not think it is going to be because I think Presidents are getting too excited about item 1 and they are all going to get up and justify why item 1 is exciting.

But it is pointless because it is not going anywhere and Deputy Helyar knows it. He really does know it. So I will not be supporting this in its entirety but I would encourage him if other Members agree to possibly bring another amendment with 3, 4 and 5 separately.

I will give way.

Deputy Helyar: Thank you for giving way, Deputy Inder.

I think the Bailiff indicated before lunch that those Propositions would be taken separately there will be separate votes on them.

Thank you.

Deputy Inder: Okay, sorry, I definitely was not listening, sir. Right okay the Bailiff is cross, (*Laughter*) it is not just a road in Guernsey.

So in short, sir, to insert a new Proposition 3, 4 and 5 and I would like to, because we are not at operational level, if 5 is really problematic in terms of Defined Contribution Scheme I think Deputy

2570 Le Tocq has touched on that, but if that could be reconfirmed I could not support it but I do like 3, 4 and 5. I will not support 1 and I will support 3, 4 and 5 unless there is some killer argument.

The Bailiff: Deputy de Sausmarez.

Deputy de Sausmarez: Thank you, sir.

2575 I will try and keep it relatively brief as well but I would like to start with the bigger picture stuff. I think Deputy Kazantseva-Miller's contribution to the earlier debate this morning was really helpful and I am not sure if I got the numbers down accurately but I think, from what she said, she suggested that somewhere in the region of maybe £113 million had been lost as a result of Zero-10. Okay, she is shaking her head, but anyway, there was a big hit from Zero-10 but we –

2580 I give way to Deputy Kazantseva-Miller.

Deputy Kazantseva-Miller: The loss was about £58 million.

2585 **Deputy de Sausmarez:** Okay. Right, yes, I see where my sums went wrong. So £58 million, that was recouped in nominal terms by 2018 but it is quite possible because of the high inflation, especially recently, that actually we have not yet recouped in real terms. I think that is an important context and we also have to take into consideration a few other things as well.

2590 The macroeconomics situation, which has put acute pressure on all sorts of areas and the real life impacts of that have resulted in a cost of living squeeze for a lot of people in the community, but the other *really* relevant factor is that while all of these downward economic pressures are taking place we have got upward pressure on the demand side of the equation.

2595 So we have got a growing population and we have got an ageing population and we have got a population who, in summary, has got a greater need for more public services and are more reliant and, I think, that is an important context to bear in mind. The demand has not remained static over the years that we have been experiencing this. The demand has been and continues to grow.

So, in essence, we have got growing demand for services, less money in real terms to deliver those services and I think another key factor here is that there is a public expectation that those services will be delivered to a good standard and I think that is really the nub of the issue, not that there are any easy answers of course.

2600 From a Committee perspective I do intend to probably save Deputy Trott a little bit of time when he responds to this and run through some of the specific impacts but I will keep it fairly brief because I agree with Deputy Inder, I am not convinced Proposition 1 here is going very far. I would also like to say that, of course, I am sure like many, if not all, of the other Committees we have turned over every stone looking for efficiencies and, my goodness me, is it hard work.

2605 We have made efficiencies, we are quite a public delivery heavy Committee so we have got real particular pressures in terms of SLAs so any budget increase never really meets the full cost in real life of delivering those services. So every single year we have to find ways of delivering the same standard of service for less money and quite often it is just not possible to do and we do end up cutting services and I think things that came up in a previous States' Meeting quite recently were things like the impact on road cleansing, etc.

2610 I am only mentioning this because Deputy Inder just did but I get really frustrated by some of the facetious suggestions: 'Why don't we just cut the Active Travel Unit or whatever?' That was cut five years ago! It has not existed for many years, it is not a saving to be had. The lemon has been squeezed until the pips have squeaked.

2615 Anyway, here is the obligatory trot through at a pace – I will try to do it at a gallop – of impacts on the Committee *for* Environment & Infrastructure, just to help inform people's vote on Proposition 1 of this amendment. So I think the area that would be most directly affected by this budget reduction would be housing.

2620 It would have an impact on the planned recruitment to the Housing & Infrastructure team in order to accelerate certain pieces of work and I think the biggest victims, the biggest casualties of

that funding cut, would be the Homelessness Policy and work on the Statutory Deposit Protection Scheme. But it would also, in terms of the budget cut, have impacts on the work on the housing delivery vehicle, institutional investment into affordable housing and measures to support first-time buyers and second stage movers.

2625 So these are bits of work that would not be able to progress in the short term. As I have mentioned, we are hoping to accelerate some of these through the Budget which P&R has proposed and that would not ... it would happen but it would not happen at the pace that we would want it to happen and that, hopefully, the original Budget proposals would enable.

2630 The bus service, we would have to reduce the service, both in terms of the scheduled service and school service and I do not think I need to go into detail about the various ramifications of that. But I think many Members of this Assembly will be aware of the pressure on the school service and the impact it has on parents when their children cannot get to school using the buses; and so I think people are very able to imagine the various ramifications of that on both the scheduled and school side of things.

2635 Maintenance would be affected, parks, gardens, cliff paths, roads, we would have to leave more grassland to turn to scrub; that would have an impact. The Strategy for Nature, it may well affect nature commissioning. That is actually one of the examples of some of the efficiencies that we have been able to realise over the last few years is actually delivery services, not directly by Government, but making sure that we are supporting other organisations to deliver them in a more cost efficient and, sometimes, in a more efficient way altogether and make that money go further, especially as
2640 it can be amplified by other private sources of funding and not just rely on taxpayers' funding. So there would be an impact on that.

It would also impact our ability to establish the Offshore Renewable Energy Commission which, in turn, would impact the work that we are going on offshore wind and, of course, that is a potential revenue stream for the States and on top of the service cuts we would also need to further increase charges for services and introduce new charges.
2645

Now, I say that with a caveat because some of those charges, actually, I think will need to be introduced anyway but I think we would see much greater increases and many more of them, should Proposition 1 of this amendment go through. So I certainly cannot support that. I cannot actually
2650 see, given what we have heard so far in debate, any of these that I would be able to support, even though I appreciate the sentiment, and I think, as others have said, it is a perfectly legitimate and useful and probably necessary debate to have just so everyone does have a realistic understanding of what the ramifications would be were the Budget to the cut in the way suggested.

Thank you.

2655

The Bailiff: Deputy Roffey.

Deputy Roffey: Thank you, sir.

During his excellent speech, my neighbour, Deputy Brouard, asked the question. He said, 'What
2660 is this amendment?' and he sort of answered this question and said, 'Is it a flat waving exercise?' Well, I think, there may be an element of that but I would characterise it differently. I think this amendment is a reality check (**A Member:** Hear, hear!) because I cannot see Proposition 1 garnering more than, I cannot even get into double figures in votes because we all sit, the Presidents have been bobbing up and saying how dreadful this is, I am about to go on and do that on behalf of ESS
2665 (*Laughter*) and our Members have been nodding sagely along and Deputy Aldwell has joined in on behalf of her two Committees.

But if we are not going to do this sort of stuff, if we are not willing to see these cuts and Deputy Parkinson said in another context this morning that the people of Guernsey were with him on not hammering the middle classes and he is right to a degree. But I tell you what, they are going to turn
2670 against us if we start implementing the sort of austerity cuts that this sort of programme of funding reductions would actually occur when they cannot get the services at health care, when they cannot get all of the other crucial things.

So I think this is a really useful reality check because this is the sort of stuff that we have to do if we are not willing to really increase our revenues in the way that, for the last four and a bit years, every one of us has known we are going to have to do. So if we reject this then please by, I was going to say the end of Friday but at the rate we are going it may be in a month's time when we walk out of here because it is half a day per amendment at the moment, it seems, and I am speaking so I am being hypercritical I know.

When we walk out at the end of this Budget debate please can we have agreed somehow between ourselves, even if we have to compromise in some ways, maybe we do not have to compromise, I do not know what will carry a majority. But if we are going to reject this sort of amendment, which I hope and pray we will, then let us at least make sure that we do raise the revenues that are needed because otherwise we are just a Government in utter denial, we are not capable of Government, we have lost the will to govern.

Let me do my bleeding heart bit together with all my – (*Laughter*) Actually I am in a worse situation than all of the other (*Laughter*) Presidents of spending Committees, because where they are going to have to go away and draw up a horrible list of cuts that they are going to have to make and it did not go well at Scrutiny when Deputy Brouard said it, the reality will hit home sooner for me than for most because during this Special Meeting we also have the up-rating policy letter for the non-contributory benefits. And if part 1 of this goes through or, indeed, Deputy Dyke's amendment to follow, I will have to lay a *wretched amendment* that will slash, in real terms, the value of Carers Allowance, the value of Severe Disability Allowance, the value of Income Support, which some people do not like but I tell you what it is supporting pensioners, it is supporting people with disabilities, it is supporting the poorest and most vulnerable in our community. I am going to have cut the value, in real terms, of the Winter Fuel Allowance.

However a big Calvados I pour myself I will not be able to sleep at night! (*Laughter*) But I will have no choice. My Department cannot spend money it has not got and if the money is not going to be allocated I cannot spend it.

Now this was prominently made clear in *The Press* and somebody phoned me up at home and said, 'Well, you are just doing this deliberately, aren't you. You are just choosing all of the targets that will get people emotive.' Mr Bailiff, 83.5% of ESS's general revenue budget is formula led non-contributory benefits, exactly the benefits that I have been talking about.

But what about the other 16.5%, can't I find all the savings there? Well, 7.5% is States' house repairs and we are not spending enough on that now but we will come onto that later in this debate. Two percent is legal aid; we cannot just do away with legal aid. Another 2% is the grants that we make to people like, I do not know, Grow Limited and all the other really worthy organisations that we support and which you have already agreed to fund to a certain level.

It leaves just about 4% of actually discretionary spend, if I sacked all my civil servants that are paid for out of that. So there will be no choice: if part 1 of this goes through then I will have to urge you to do something that I will be appalled at doing but we will be in an impossible situation if we do not do it.

So what do I take from all of this? I am not too scared about that, I am not too scared about not getting to sleep at night because I do not believe for one second that this Assembly would be so crass and so uncaring as to force me into this situation. I think Proposition 1 of this amendment stands no chance, but if it does not it is a signal we are not willing to do the thing on that side of the balance sheets in order to balance the books so we *have* to do the stuff on the other side.

What it will be we will come onto in debate. I personally think we have spent two years looking really carefully at a well-balanced package that protected the lower, middle earners and kept Guernsey competitive and that is the way to go, but other people may have different ideas but we will have to come out with something because it would be so pathetic if we say no to spending restraint and then say no to raising the revenues that are needed if we do not have spending restraint. We would become a joke Assembly, we must not do that. So please throw out 1 but please be aware that in throwing out 1 you are putting a burden on yourself to, at the end of this Budget debate, to have agreed a sensible pragmatic and significant package of revenue-raising measures.

2725 **Deputy Trott:** Well said, President.

The Bailiff: I am going to call Deputy Dyke, then I am going to call Deputy Mahoney.
Deputy Dyke.

2730 **Deputy Dyke:** Thank you, sir.

I feel that I am living in a dystopian nightmare. I look at the top table and I see the Deputies I have always known, I look away, look back and I see a whole row of Rachel Reeves imitations. (*Laughter*) I just do not know what to make of it all. (*Interjection & Laughter*) (**A Member:** He hasn't got the wig!) I commend Deputy Helyar for bringing this amendment, it brings into focus something that we do need to think about.

2735 Our economy does have some issues which we have to address. (**A Member:** Hear, hear.) We had a drop in GDP last year as against Jersey which managed the other thing, growth in GDP; we have a Budget that is problematic to say the least; we have a head count which is really another amendment – I am not quite sure how much to say on this one – we have a Civil Service headcount which overall is rising considerably and has now risen above our core finance sector for the first time, which is a very serious matter. We have competition –

Deputy Trott: Point of correction.

2745 **The Bailiff:** Point of correction, Deputy Trott.

Deputy Trott: On a full-time equivalent basis that simply is not true. The financial services and professional associated industry employs somewhere around 1,500 more than the full-time equivalent involved in public administration.

2750 **The Bailiff:** Deputy Dyke.

Deputy Dyke: I thank Deputy Trott but I did say our core finance sector. Agreed there is another section, the lawyers and accountants and things. But the direction of travel is absolutely clear, they are crossing over and that cannot continue if we are to continue as a successful, very small offshore finance sector.

2755 So we have to do something serious, to my mind, about cutting costs and it is no good everyone coming back and saying everything is too difficult it really is not simply good enough. Deputy Roffey, with respect, says that if we proceed with cuts we are crass and uncaring; quite the opposite! 2760 It is easier just to slam up taxes on not try to get a grip with the problem that is underlying it, which we must do, it is not crass and uncaring to do that.

Deputy Roffey: Point of correction.

2765 **The Bailiff:** Point of correction, Deputy Roffey.

Deputy Roffey: I did not say that all cuts were crass and uncaring, I said forcing ESS into a position which this amendment would do, of having to reduce Carer's Allowance, the Severe Disability Allowance and other allowances like that in real terms, that is where I described as crass and uncaring and I stand by it.

The Bailiff: Deputy Dyke.

2775 **Deputy Dyke:** Well thank you.

We received a paper last night which, I think, sums up our problems, I think it came from or on behalf of P&R and one of the paragraphs that came in quite late, the F&I Plan assumes £12 million

of savings across the period. The Reducing the Cost of Public Services Sub-Committee has worked in the interim to identify areas across the public service where it may be possible to make savings.

2780 But nothing has been delivered to date and there are no firm plans for savings at this stage and, with respect, I think that message to our population is simply unacceptable. We do need to do some work – *serious* work – to get the numbers down and it is honestly not right just to come back saying it is all too difficult, not changing my budget, it is crass and uncaring if you do this, that and the other. We really have to work on that. So that is my main point.

2785 Turning to the Helyar amendment, the first two paragraphs give an option in terms of cost-cutting approach; the amendment that Deputy Vermeulen and I are bringing gives another gentler and less crass and uncaring approach, if that is what you call it. (*Interjection & Laughter*) So I think Deputies have to just decide what they believe and what they think in terms of voting for one of these and I do believe that we must vote for one of them, we cannot simply do nothing in terms of controlling our expenditure, that is not an option, it simply is not. So that is all I am going to say on the main point.

2790 The other amendments from Deputy Helyar seem reasonably sensible to me. On Amendment 3 which is the way that States' employees are remunerated to base their pay increases on appraisals rather than an automatic flow upwards does seem sensible to me. Funnily enough, I did have cause to look at one of the specimen contracts that we use for the Civil Service and on that point, whether it is a contractual right or not at the moment it is actually somewhat unclear and at the moment it would, possibly, lead to an expectation of the automatic uplifts. That would be a matter for an interesting legal discussion.

2795 But that is where we are at the moment. If that could be changed, as Deputy Helyar suggests, to a clear normal contract that you would have in the private sector that does seem a sensible thing to my mind. So I am going to vote for those three amendments that Deputy Helyar has drafted.

2800 Thank you.

The Bailiff: Deputy Mahoney.

2805 **Deputy Mahoney:** Thank you, sir.

I deliberately waited until after all of the Principal Presidents had spoken, partly – Deputy Trott still has to speak because of course he gets to reply right at the end – to put out a plea that this has now been more than an hour and three quarters and we fully expect that all Members of all of the Committees will follow their Presidents in terms of what they think of these five potential Propositions.

2810 It certainly appears to have been a cathartic hour and three quarters (*Laughter*) for the Committee Presidents and I am glad they have got that lot of their chest and, sorry, it is heartening to hear speaker after speaker defending their patch which is what we would expect them to do – not much of a President if you did not.

2815 It is obviously paragraphs 1 and 2 that have led to that, that is the real issue here for most people, I am sure others will ... But just to clarify one thing. A number of people have said it, that we are cutting, we are cutting. We are cutting; there are no cuts in this, there are freezes of some things. (**A Member:** Hear, hear.) No one is cutting budgets here, we are asking you to not spend more than previous; so, just as a point, no cuts in this at all.

2820 Again, a couple have noted it, I can assure Members that this is not a clever back door to anything, no one is trying something sneaky here, this is what it says on the tin. If you think that the parts mentioned in 3, 4 and 5 are wrong and do not need looking at then that is fine, just simply vote them down, do not vote for them. If you think there is nothing amiss, that is fine and that is your opinion.

2825 But a bit more on the detail, Propositions 3 to 5 are simply trying to bring the public sector into this century. (**A Member:** Hear, hear.) In previous debates it has been pointed out that recruitment will be difficult in certain sectors and I do not dispute that, I have said so in this room. In fact, we recognise that and agree that there should be carve outs and I believe that is right, there should be

2830 carve outs and I have said as much, face-to-face, with the Pension and Consultative Committee regarding the DBDC issues.

2835 So they have that on record whilst I was still on P&R so the fact that I agree with that cannot be disputed. However, that does not apply to everybody; carve outs would not be required for everybody. Most of our civil servants are not recruited from the UK they are recruited locally and there are and again – sorry, Deputy Helyar did stress it at the very start – *The Press* do not seem to have picked it up very much but this is for new staff and new staff only. Nobody is messing with anybody's contractual obligations that they have right now and I would not try to – well I might try to but certainly not in this one.

2840 Point 3, specifically, who else gets an automatic pay rise ahead of their annual pay rise? (*Interjection*) All we are asking for is that pay rises should be earned and, again, this is new staff. I know we cannot do anything for existing staff, that is fine, I accept that. But, in fact, with the churn within the Civil Service and the public sector which I think from my time, I stand to be corrected, was something like 12% or something like that, (*Interjection*) 14%. Higher,

2845 Within seven, eight, nine years, actually we have got everybody on the new T&Cs and, obviously, that is where we should be aiming. Certainly everywhere else pay raises have to be earned you do not just automatically get your incremental and then say, 'What was my pay rise please, sir?'

2850 Now it has been noted by Deputy Le Tocq and I think it was in the letter that we received from the unions, again I stand to be corrected but I think it was in there, but it was noted that there was reference in that letter that a grade carries a certain salary but that is the salary at the top, the fifth incremental on that band and that is what we are being asked to believe is the actual pay rate for that job.

2855 What I am going to do is bring you in five levels below that and then in five years' time you will be earning what the job should be paying. It is absolute nonsense. Which employer anywhere is going to say you should be earning £65,000 but I am going to start you on £55,000 and in five years' time you will be earning what you should be earning because that is what the job pays. It is absolute nonsense, so let's try and put that to bed, it is not true. Deputy Ferbrache, I think it was, said if you do not like what is on the paper in front of you to sign do not sign it and go and work for another bank, insurance company (*Interjection*) or anywhere else, builder, whatever it is. If you do not want it do not sign it.

2860 So in my time as the lead for the employer, I asked Human Resources to prove that there was some sort of appraisal system in place for when staff reached the top of that band because what is always rolled out is I will start you at increment one, in five years on increment five and now you are at the top of SO1, just for want of a better phrase, and therefore you are now stuck. I think it was Deputy Le Tocq that said most people are not. Well certainly when I was on P&R and dealing with the HR side of things it was just under 50% of people were at the top of their band. So that means
2865 half of our staff are still getting the incrementals.

I give way to Deputy Le Tocq.

Deputy Le Tocq: I thank Deputy Mahoney for giving way.

Just for information, it is 70% at the moment that are at the top.

2870 **Deputy Mahoney:** I thank Deputy Le Tocq for that correction. That is still 30% then of people that are getting an increment on top of their pay rise. That just does not seem right to me, it is something I was not aware of until I came into this job.

2875 Now I was assured that once you reach the top of your band then there is no automatic progression from SO1 level 5 to SO2 level 1 – up one notch if you like. So I asked HR to show me an appraisal then to show, 'What have you done that you should now be promoted from level 5 SO1 to level 1 SO2?' I asked for those appraisals, I asked, 'Show me proof that that is what happens,' and HR, I am afraid, could not provide one single anonymised appraisal that someone had taken where they had then stepped up to the next level, not one, out of 5,500, not full-time (*Laughter*)
2880 staff, full- and part-time staff, before I am corrected, not one single one.

Now, of course, not being able to assess people is a doubled edged sword. We had some amazing work done by certain members of the staff, the civil service team, around Brexit etc. and we wanted, on P&R, to recognise that for the incredible amount of hours that they had put in and we simply were not allowed to do so. There was no mechanism in the staff –

2885 I give way to Deputy Inder.

Deputy Inder: Thank you, Deputy Mahoney, because this might be new information to quite a lot of people. If I am understanding you correctly, if you come in at the bottom of a certain role and there are five increments, are you saying that there is an automatic HR process that just ticks you effectively 20% to get you up to the full rack rate, for want of a better word, and there is no assessment in between, none whatsoever, in your experience. Is that what happens?

Deputy Mahoney: From my experience it is not a 20% up tick, by the way. Sorry I was making up numbers there, it is not £55,000 to £65,000 and £2,000 a year. Yes, an automatic up-tick. Most grades have a five period increment, I think there are some at four and some at three, but most of them are five up-ticks, or whatever we want to call them; but there is no assessment made each year. Once you pass your anniversary date then you reach your, whatever the next 3% or whatever the number was, up. Now, obviously, the amount of the up-tick is more across the things and that was one of the big surprises to me when I first got that role.

2900 Sorry, I lost my track there a little bit there, sir.

It is a double edged sword. We want to be able to reward the people that are really good, actually, with more than inflation rises because, obviously, what we want to try and do is pull those people up to the top and if you are not pulling your weight then I do not see why you should get any pay rise, (*Interjection*) which is how it is in the real world.

2905 Just paragraph 5, to finish off, regarding the Defined Contribution/Defined Benefits Scheme, we have all seen, I think it was sent to everybody, the letter signed by the various unions objecting to any changes. I would expect no less from them, that is them doing their job and claiming that the Defined Contribution Scheme would cost more money. Well, yes, if we carry on with the same level of contribution but that is not how it works. A huge majority of the companies in the real world do not offer DB Schemes anymore. There is a reason for that. If it was more expensive to offer DC Schemes they would not have done that but they have done it because, long term, it is cheaper unless we want to still carry on paying in 14% into a DC Scheme. That is not what we should be doing.

2915 We should be saying, even if it is cost neutral – and I am not trying to say this will save huge amounts of money, it does not from the numbers I have seen as well, but even if we can make this cost neutral – then the de-risking with the churn, etc., the de-risking that we could achieve in five, six, seven years is huge and we should be looking at that. We should be dragging ourselves into the 21st century, as I said earlier.

2920 Sir, if this amendment achieves nothing else other than making everyone here realise that we cannot, again, walk out of here having approved nothing in terms of new revenue measures then, frankly, it has done its job. It is not intended as a back door secret to anything else. So that Deputy Roffey can sleep in his bed tonight, no one is expecting 1 and 2 to pass – well I am not anyway – but it has put down a marker.

2925 But in terms of numbers 3, 4 and 5, what we are doing, to my mind, is very sensible there it is talking about new employees not existing employees. We have heard lots of people in the last four years talk about cost savings and paying a lot of lip service to that kind of thing but lots of people have talked the talk, sir. With 3, 4 and 5, if nothing else, can I please ask Members to walk the walk now.

2930 And, as I said, going back to my first comment I did deliberately wait until all the Presidents of the Principal Committees had spoken. We fully expect pretty much every other Member of those Committees to follow suit; I would not expect anything else. So if we can see ourselves actually

getting on to the next point in whichever amendment comes up next then I think we would be doing ourselves a great service.

Thank you, sir.

2935

The Bailiff: I am going to call Deputy Murray on the basis that he stood up earlier than some of the other ones. Deputy Murray.

Deputy Murray: Thank you, sir.

2940

I think Deputy Helyar introduced the rationale behind bringing this amendment very well. I think he knows his expectations of how much of it may or may not be successful and it has served the purpose, I believe, that he brought it that was, actually, to try and make us look at what we might have to confront if we do not find a solution to, obviously, the difficulties we find ourselves in.

2945

I have problems with it and the problems I have with it are that we cannot just impose certain differences in our employment practices, we do have to actually negotiate and we have, I think, about 13 or 14 unions that we negotiate with. We are already negotiating at the moment. So you cannot just wave a magic wand and say this is it, you actually have to be able to accommodate the negotiation that goes with that and this does not give us the opportunity to do that, unfortunately.

2950

I am not saying it should not happen but I am saying that directed as we are with this particular amendment we would be seeking to impose a situation, several situations in fact. So we cannot actually just run with it as it stands, we cannot, it is just not feasible for us to do it and that is no judgement on whether or not these are the right direction of travel but I am saying we cannot. That is the reality, we cannot. We might not want to either, some Members might not want to, but P&R cannot just impose this.

2955

Now, 1 and 2, I think, it is a good indication of what we might be looking at if we cannot find a solution but there is no rationale as to why it should be just this. Why not take even more off? Why not take even somewhat less off? There is no rationale here at the moment to do it other than this is where we started with 2024. That does not necessarily mean that 2024 was the right place, maybe 2023 was a better place. There is no rationale.

2960

If P&R are to actually work on this they need to know what the guidelines are and there are no guidelines for this at this point in time. But it served its purpose in reminding us that austerity is around the corner if there is no other means of actually trying to get revenue to the level that we need it.

2965

As for 3, as I said, I am afraid you cannot just impose that without actual negotiation. Now, had this said negotiate to make it happen then that would have been a direction, I think, that P&R could work with but to just make it happen you cannot.

2970

Now 4, where I think we are talking about keeping rates just as they are at this point in time, Deputy Mahoney said this does not happen in the real world; well what about apprentices? Apprentices enter into businesses, whatever they may be. They do not come in with the expectation that that is not going to grow. The return that they are going to get for the work that they actually put in and what they learn will get them to a higher grade or a higher rate of pay. I was an apprentice. What I wanted to know was what the journeymen or the tradesmen were actually getting (**A Member:** Hear, hear.) so that I knew in four or five years, if I came up to muster, that is what I could actually expect to get. That was my incentive to carry on.

2975

It is the same in the public sector. Now admittedly because in some of the Civil Service positions these are administrative positions so trying to define what kind of targets need to be met to get there is not quite so straightforward. I am not going to give way.

Deputy Vermeulen: Point of correction.

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The Bailiff: Point of correction, Deputy Vermeulen.

2985 **Deputy Vermeulen:** So, I was an apprentice, sir, a very good apprentice. (*Laughter*) Each year my skills were honed and I got considerably better. It was not an automatic pay rise. If I would not have gotten better I would not have seen out that apprenticeship. I could not have become a tradesman and a skilled tradesman after that.

2990 So when Deputy Mahoney says that we just do not see it, he is absolutely correct. You do not see automatic pay rises for just being there an extra year. An apprentice is very different, you become and improver and then you become a skilled person. So you have got a progression there to becoming a tradesman.

2995 **The Bailiff:** Well, Deputy Vermeulen, I am not satisfied that that was a valid point of correction because I do not think you actually identified something that Deputy Murray had said that was either inaccurate or misleading. So, Deputy Murray to continue please.

Deputy Murray: Thank you, sir.

3000 In regard to that particular comment, there clearly does have to be motivation for people to further themselves and better their skills and I do agree there may not necessarily be an automatic pay grade; if you do not make it you do not get it. Now I am not sure what Deputy Mahoney has said is entirely correct; he was close to HR that was his role when he was on P&R.

3005 I find it very difficult to believe that this is just automated without any checks, balances or interviews to find out where an individual has got to in the past year. I am pretty sure we have regular appraisals. I do not know to what extent that is portrayed then in any remuneration but I do know that we have regular appraisals.

Deputy Mahoney: Point of correction.

The Bailiff: Point of correction, Deputy Mahoney.

3010 **Deputy Mahoney:** From where I sat on my three and a bit years there, there were none and as I mentioned earlier I requested copies of any anonymised appraisal and was not given any of those appraisals. So the only conclusion I can draw from that is that there were none. If Deputy Murray is now lead for employer – I am not sure if it is Deputy Murray or Deputy Gollop – perhaps Deputy Gollop, he is confirming it is, perhaps he could then ask for those and pass them on to Deputy Murray.

The Bailiff: Deputy Murray.

3020 **Deputy Murray:** Thank you.

Well we will probably agree to differ but I would be astounded if we were prepared to simply upgrade somebody's position simply because they had been there 12 months. We do appraise but what I will say that I am very much aware of is that our whole Human Resources Department has been completely overhauled because it was –

I will give way to Deputy Trott.

3025 **Deputy Trott:** I am grateful to Deputy Murray for giving way because Deputy Murray is quite correct in what he is saying and, regrettably, on this occasion Deputy Mahoney is not. This is what we have been advised. Deputy Mahoney is not conveying the reality of the situation regarding staff pay. Increments and appraisals are carried out, he is being selective. Appraisals do take place across nearly all areas.

3030 What was not available to him were copies of staff appraisals, which is what he initially demanded, as these are confidential. So you could not have what you wanted because they are confidential, that is not to say that they did not take place and in nearly all examples they did. Anonymising the large number that had been requested was too large a task to complete without

3035 taking officers off other work of a greater priority, priorities that at the time had been set by the Policy & Resources Committee that he was a Member of.

Now I could go on because there is a lot of detail here. I will not indulge the give way from Deputy Murray any longer, other than to say that you are absolutely correct in what you are saying, Deputy Murray, appraisals are a regular part of this and I have explained why Deputy Mahoney did not get what he asked for.

Deputy Mahoney: That is certainly not true.

Deputy Murray: Thank you.

3045 I think it just demonstrates the danger of us, perhaps, not necessarily being entirely aware of the facts when we actually speak and I am not saying necessarily that that is not the interpretation that Deputy Mahoney may have taken from the circumstance that was just described. But I do not believe any organisation would be so foolhardy and I know that there are some people who have such a low view of the Civil Service, and the public sector in particular, they will believe pretty much anything and I think that is a very big disservice to the organisation as a whole and I wish we would be very careful when we speak, particularly in this Chamber, when we make these sorts of statements.

Now, on 5, in terms of pensions – and, yes, I have seen the figures, I have seen them twice – I do not believe making that decision here today is the right thing when Members have not seen what we have seen in P&R to be able to come to a conclusion and if the conclusion is as described here then so be it but you cannot make that decision just now because you have not seen the information.

3060 So, again, you cannot actually ask P&R to invoke 5 as it stands at the moment. We would be doing everybody a disservice to do that, you need information to make proper decisions and when you are talking about people's pensions you need to be very well informed. It is a complex area (*Interjection*) and I have seen where we would actually have to move down to about 7.5% employer contribution and you will see that, probably, in due course which makes us very uncompetitive with the private sector to be able to be anywhere near saving any money which is the whole point of this.

3065 Plus I do accept that we have a liability because the States has to make good if, at any point, the pension scheme comes to a point where it is no longer able to pay out, but that is a long way away. But I do accept that the more we can affect that likelihood not happening would be a sensible thing to do. So it is a complex area and I would advise people that actually voting for 5 means you are actually making a decision in the dark, you do not know the ramifications of this yet. So if you would be good enough to wait you will have that opportunity.

Now, when it comes to actual statements in this arena I have to come to Deputy de Lisle. (*Laughter*) I do wonder sometimes, from an individual who has actually got a Doctorate – I think it is in economics; I may be wrong and I am sure he will correct me if he is – I do wonder where he got taught some of the things that he says. But I want to actually say a couple of things specifically in terms of facts. Maybe this will help him.

3075 He talked about these 200 posts that we were supposed somehow have saved or made a commitment to save. I do not think it was this Assembly that actually made that commitment at the end of the day. I believe that is one of the things that this Assembly inherited from the last Assembly (*Interjections*) and we did what we could to try to get towards it but I had asked Treasury for figures.

3080 I have asked Treasury what it would take to actually save 200 FTEs because that is the only thing we are talking about here. This is full-time posts that you are going to cut and then they are a lot of recurring costs so you actually save money. Now, I will give you four of the major areas and the amounts it would actually represent.

3085 So to save 198 posts, which is as close as can get – I am sorry it is not specific but it is actually close enough – you would be looking at saving 82 full-time equivalents in HSC – 82 – I do not

know whether those are nurses, surgeons, radiographers, it is just a headcount. In ESS you would have to save 29 posts. I do not know what that would be either; maybe those are the people on the counter, maybe those are the people that actually investigate people who are fiddling, I do not know. (*Laughter*)

In ESC you would have to have 33 posts removed. Now those are probably going to have to be teachers. (**A Member:** Yes.) Teachers! That is great, isn't it I think you have got a lot of interest in Education but I can tell you what would happen if you actually removed 33 teachers, your class sizes would go right up through the roof because there is no other way to actually deal with it.

Now, the more difficult one is Corporate Services where there are 28 posts we would have to lose, so you are talking about Property Services, you are talking about Human Resources, you are talking about IT. They are all integral for us to be able to deliver the services that our population require from us.

You cannot just say, '200 posts, get rid of them'. To get rid of 200 posts has a cost and I do not mean a financial cost, it has a cost to the people who use those services and the way that we deliver services. Now, we can definitely become more efficient, productivity can improve particularly with technology and particularly, as was mentioned this morning by Deputy Parkinson, AI has great potential but we are going to have to get people in who understand AI so we are going to have to increase our headcount to save money. And that is the problem because when you want to put aside some of the savings that are in the back of the Budget at the moment, they are quite clear there is no resources to make this happen. So we will have to increase headcount to try to save headcount. You cannot just do it with what we have got because most of the people that we have got at the moment are up to here and beyond, and I can tell you that for a fact.

I am sure there are areas where they could probably do more but certainly the officers I come into contact with in DPA, in ESC and now in P&R are rushed off their feet; there is no capacity. Now if this Assembly with accept that we have to invest in specialist skills to be able to help us get to that bottom line, that is great but do not presume that we can get there just by cutting, it is not going to happen; it cannot happen. If it happens we will do great damage both to the public sector and to the services that our public rely on.

Now the other thing that he mentioned was about the public administration increase, and I think he is referring to a graph that was recently put out. Now, unfortunately, public administration is everything, it is from mechanics to tax inspectors, it is not just the Civil Service, it is all of that. So when you try to compare that with something like the finance sector and it seemed like we are outstripping them, well, we do not have mechanics in the finance sector. We have probably got quite a few tax people in the finance sector but we cover that whole gambit. You need to be very careful when you speak in here that you are comparing like with like and I do not think that you were.

I will give way.

Deputy de Lisle: If I can make a point, the fact is that with respect to teachers, the Education Department is more than just teachers. The Education Department has a full bureaucracy around those teachers.

The other point is that I think the Deputy, in all due respect, needs to serve in the Civil Service as I have in North America and find out what it is really about because there cuts are made very quickly (*Interjection*) on a change in Government. As I was saying, in one jurisdiction one third cut on the day that the Conservatives were brought into that particular jurisdiction.

So I think it is a matter of having the will and there is not the will in here and that is part of the problem; (**A Member:** Hear, hear.) and you do not need a bureaucracy then to deal with this, you just get on with it and realise that something has to be done in order to solve the problem that we have got and it can be done but, as I say, there has to be the will.

My experience, to be quite honest, is not just in economics and in spatial economics but it is also in terms of practical living and knowing what has to be done and realising what people out

there want to see done in Guernsey, (**A Member:** Hear, hear.) because they are fed up with this constant hiring of more and more civil servants.

3140 Where did I get my numbers from in terms of the complement of the area that I was discussing with respect to the civil administration? It is from the little green book. All the numbers that I gave you were from the little green book and they are provided by the States of Guernsey to all Members here.

3145 **Deputy Murray:** Thank you.

I must say I get quite frustrated when we have comparisons made with other jurisdictions that have completely different circumstances to our own. We are in Guernsey and Guernsey is sub-scale, as I have said on many occasions in this Assembly, and that puts limitations on what we can and what we cannot do and it also puts the price up for many of the things that we try to deliver
3150 and we do not have a choice because our population expect this level of provision.

However, we are talking about the same figures, by the way, I am talking about those same figures, and public administration is all of those; we just need to be very careful that we are talking like for like. I think there is not a question of not having a will, what we are proposing to do requires a great deal of management over a period of time to make it happen.

3155 Now we have been through several cost cutting exercises over several years that have been mentioned today and quite a lot of saving was made, I think it was £28 million or £29 million in the last exercise that we had, which took out a lot of what you might call fat from the public sector but it actually grows, it is a dynamic organisation.

Brexit has made a huge difference to our international side because we have to bring in people
3160 who actually have to negotiate with all manner of jurisdictions at the end of the day that we did not have to worry about before, whether or not on our own basis or whether because we were walking in the tails of the UK. That is an evolution that actually we did not need to have before Brexit but we now have and we have to deal with it.

Moneyval, we have put about £23 million into Moneyval and we have put, I have no idea how
3165 many bodies in there because we needed specialist bodies to do that, to keep our economy, just to be at the table. It did not give us any extra opportunity, it is international regulation that is now imposed upon us as a jurisdiction and we do not have a choice.

So it is something that is dynamic and grows. But people actually leave, people retire, that is the nature of the business that we are in but those skills are important. IT is another area. IT is
3170 probably one of the areas that can unlock the sort of savings that the Assembly is looking for, it can, but we do not have many of those skills yet but we have to bring them in to achieve those sorts of objectives.

It is dynamic, you cannot just take a figure and just cut that. The implications are far too complex to take that kind of a view but I do accept that you need to have the will to try to do it.
3175 (**A Member:** Hear, hear.) The presumption at the moment is that that will does not exist. So HSC, for example, in the wake of COVID struggled, *really* struggled, to get people in Health & Social Care. I do not think anybody would disagree with that. We have hundreds of vacancies in Health & Social Care. We have about a hundred or so now currently being occupied by agency people and they cost us, probably, and we certainly costed out at about double the cost of an ordinarily
3180 employee in HSC.

So the cost goes up but it goes up further. Because we have all these vacancies and some of them are mandatory, we are supposed to have cover in some of these areas, they get paid overtime at their agency rates because that is what we are contracted to do to cover those bases because we cannot get the bodies in in the first place. And local people, by and large, do not
3185 actually entertain working in Health & Social Care, not exclusively, but it is very difficult to get people into that industry and the demand, as Deputy Brouard has said many times, keeps going up.

Now how can we keep cutting bodies? One assumes, from what has been discussed, this is just civil servants; it is not. The increase of about 400-odd over about the last four or five years has

3190 primarily been in Health & Social Care and it is still not covering the bases. So you have got to accept, you have to accept that trying to cut just FTEs is not a simple process which is why you need to be able to have a resource to look at the ramifications and do what you can. It is far too simplistic to just cut posts. (**A Member:** Hear, hear.) It is, far too simplistic.

3195 So please, Members, please do not continue to reinforce this trope, this myth that actually if we can just cut civil servants then everything will be fine. It is ridiculous. (**A Member:** Hear, hear!) I am afraid it is, it is ridiculous and yet it seems to be embedded in the minds of not just some Members of this Assembly but certainly in members of the public, and I can understand because they do not know what we know or what we should know about the ramifications of trying to just do that so simplistically.

3200 So please do try to get a grip on the challenges that we have got in front of us, recognise that – and I think it was Deputy Roffey who mentioned before – we can cut services but you can well imagine the reaction we will have from our clients, Islanders, when either they are going to have pay for something that was free before, and that is the other route that you can go, or you can actually not be able to have the service, because cutting services is the only way you are going to get to these sorts of figures in here. Cutting services. And if we opt out as Government of providing these services the private sector, or indeed the third sector, are going to have to step in; and if it is the private sector they also have to make a profit so it will cost more money. If it is the third sector we are probably going to have to help them and we will not save any money at the end of the day. (*Laughter*) You need to be realistic about what we are confronted with here.

3210 The final thing that I need to say is that the public need to understand that the quality and cost of living that we have may not be possible to continue to go upwards and that is a western hemisphere problem at the end of the day because of the demographic and we are particularly affected because we are sub-scale.

3215 So an increasing standard of living is no longer a given. Being better off than your parents is no longer a given, it is very unfortunate but that is the reality of the demographic time bomb that we have got and everybody is struggling with it but we cannot print money like the big jurisdictions can, we cannot do that. We have got to get clever and creative and maximise our opportunity but just cut, cut, cut is not the way to deal with this and I would ask you to reject all of this amendment.

3220 Thank you.

Deputy Trott: Well said.

The Bailiff: Deputy Leadbeater.

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Deputy Leadbeater: Thank you, sir.

I was not going to speak on this but I just want some clarification from Deputy Helyar when he sums up just on Proposition 4 about the post if it has been vacant for six months blah, blah and if it is not essential for the delivery of front line services.

3230 Just to give us an example, in Adult Disability at HSC we have had a clinical psychological post that has been vacant, I think, since January or February. Now the wheels have not fallen of that service but there are service users that are suffering because that is there only opportunity for psychological support in this area.

3235 So I am not quite sure if that post would be cut under Proposition 4 or not, or if there would have to be a business case made and who would make the decision because the front line service is still being delivered but it is suffering because of the lack of that post and I just want some clarification on that please.

Thank you.

3240 **The Bailiff:** Deputy Soulsby.

Deputy Soulsby: I thought Deputy Helyar was very honest when opening debate because ...
[No microphone] That was Deputy Trott. I blame Deputy Trott for everything! *(Laughter)*

3245 **Deputy Trott:** No but it is a common solution. *(Laughter)*

Deputy Soulsby: Deputy Helyar I did think was very honest when opening the debate because the amendment really does speak to the wider discourse and provides the choice to Members: do you believe in austerity or do you not? If this amendment is successful that is clearly what it will
3250 mean, you cannot slash and burn £40 million or £20 million, if we get to Deputy Dyke's amendment for that matter, from the bottom line in one go without having a huge detrimental impact and I do not just mean on the quality and quantity of public services with staff shortages, pay strikes and decline in service quality.

Deputy Dyke effectively said you needed to be cruel to be kind but the evidence demonstrates that is not the case. The austerity measures following the financial crisis in the UK were linked to a significant drop in life expectancy with 190,000 excess deaths in the following decade. With cuts in health and care spending the greater pressure on the health and care system led to a deterioration of health outcomes and ironically, although designed to improve finances, slowed economic recovery and arguably hindered growth and prolonged the recession.
3255

Now, austerity has led to greater inequality with the most vulnerable in society disproportionately impacted by the cuts made. Of course this is nothing to do with savings, it is about cuts and I am sorry Deputy Mahoney is incorrect these are real terms cuts, no account has been taken of inflation and neither demand pressures.
3260

But let us look at savings for a moment. There is an extant Resolution to find £10 million to £16 million of savings over five years. The review of the Cost of the Public Services Sub-Committee – what a lovely title – last year decided to survey the public for ideas over savings.
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Apart from the predictable desire to cut the number of civil servants and Deputies, a high proportion of submissions were to charge more, say charging over 65s for prescriptions being just one of them. Now some might like that and, perhaps, it is something that HSC should be looking at although I know Deputy Brouard has got the scars from that, but at the same time they are not savings. Just to let Members know that following requests we will publish the survey responses once they have been tidied up for expletives and for other data protection reasons *(Laughter)* so they and the wider public can see for themselves.
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Now there is no central savings time this year because the Policy & Resources Committee did not believe such increased charges should be considered under a savings target. That does not mean savings cannot be made and that there will not be a push for savings and that is where Proposition 28 comes in.
3275

To agree the Tier 1 initiatives identified by the Reducing the Cost of Public Services Sub Committee as detailed in paragraph 7.83 and to direct that Principal Committees investigate these initiatives further or, where possible, implement the changes needed to deliver savings.

I do believe savings will be possible. Indeed when the Sub-Committee approached the Principal Committees with their list of ideas it became apparent quite quickly that there are significant
3280 number of work streams in various states of completion where savings could be made, but other pressures and demands meant that they had not been focused on and I think e-rostering for HSC is a classic example.

Now that is where the Delivery and Innovation Unit comes in – something that has been specifically requested by the Head of the Public Service. It will provide, as he has said, the dedicated
3285 capacity and the multi-disciplinary expertise to work openly and collaboratively but with the authority to drive action and improve performance.

Its separation from the respective service areas will provide constructive challenge while ultimately working together to deliver change and respecting the service areas accountability for

delivery as well as providing the momentum for the wider adoption of a delivery culture and mind set across the organisation.

Now the head of public services told us the position we are now in is unsustainable and resources need to be augmented in what he hopes the Assembly will consider a pragmatic way. But, of course, that will not be possible under this amendment. There will not be any staff to make any savings and quite the opposite but it will just store up problems for the future and sustainable savings cannot be achieved overnight.

Now Deputy Murray has done an excellent job to question where Deputy de Lisle is coming from in his comments. Deputy de Lisle frequently says we need to make cuts but he never says where. **(A Member: Hear, hear.)** He plays to the gallery but does not create his own picture of what he would do. He talks about those employed in public administration having gone up and retail going down as if that reflects the whole economy, which it does not.

In fact, and I thank Deputy Dudley-Owen for providing her booklet which I have been looking at quite a bit recently, but the Facts and Figures booklet 2024 said there was a net increase of 258 overall in the year to March 2024 with the greatest growth, not in public administration, but in financial services.

His memory is also letting him down as we did not say at the beginning of this term we would cut 200 posts. That was a claim made last term and quickly became apparent that such claims were built on sand. At the time I did a big analysis from an HSC point of view. Deputy Murray was absolutely right about the potential of losing 66 posts. The assumption was that we had all these managers in HSC that we could cut these posts; we did not, we did not have 66 managers across the whole organisation where it could be cut unless you wanted to cut front line senior nurses.

So it did not make any sense then and I did claim it was pie in the sky and got a lot of kick back at the time. But it was based on these assumptions of having all these pen pushers, all these back office people who are not doing things and just making it difficult. Deputy de Lisle, again, talked about, 'Oh, no, it is not the teachers.' He wants to get rid of all these back office staff.

Well, it works in health and education, there might be too many but is he saying that all we need is front line people, there is no management needed, there is no organisation needed, there is no working between different areas and aligning what is going on? It is all fine, we will just deal with the day to day and do not worry about any strategic direction or seeing how we can do things better and differently. I think not.

But he then says North America does it. Well I read the other day that the US spends billions a day just servicing its debt, the interest it pays on its debts and perhaps it needs to but the evidence does not demonstrate it.

Let us not forget the cost per capita of public services in Guernsey is lower than Jersey by some considerable margin despite the fact that we are, as Deputy Murray constantly tells us at P&R, and he is right, we are sub-scale and we need to take that into account. Now I do not support austerity and people talk about needing to make cuts until they find it impacts them, when they do not get the health treatment or other support they find they need, and we have a clear example to the north of us about the reality of that.

But of course the reality of this amendment is that whilst Committee Presidents have been providing the doomsday scenario of cuts, quite rightly, just cutting the budget does not mean that spending will go down to meet those cuts. Committees are likely to go over budget as it will be impossible to cut costs to the extent required overnight. We will be setting ourselves out to fail before we have even started.

No account has been taken of pay rises and increased employer contributions. Under this amendment any pay rises – and we are negotiating with the unions with offers having already having been made – Committees will need to not only suck up a real terms cut in existing expenditure, they will not be able to manage the increased demand in service and then on top of that they will need to find the pay rises from their budgets. Cuts are not the answer.

Now, Deputy Inder referenced minded to support 3, 4 and 5. Deputy Le Tocq has covered this and Deputy Murray, to a great extent, but I think I will just reinforce messages and add a bit more.

When it comes to Amendment 3, in terms of not having the incremental pay rise as a static pay rate, the value of a role is considered to be the top incremental point of the scale in question and the approach of the employer generally is to appoint on a lower incremental point taking account of the development of the staff into the full aspects of the role.

3345 Organisations use incremental pay progression to maintain pay competitiveness whilst controlling salary costs. A risk of introducing spot points for new joiners would be that the new grades would, therefore, have higher costs. Deputy Mahoney says whatever employer does that? Well some pay scales and the associated increments used by employers for professional groups are structured along the same lines as UK pay spines deliberately to attract and retain front line public
3350 service professionals, health, social care and education for example. By removing this alignment there may be a risk to the ability to recruit to front line service roles.

In terms of Proposition 4 about just cutting posts when they become vacant after six months the budgeted FTE is set in alignment with service requirements and it should be noted that budgeted costs associated with vacant positions may be used to fund other ways of providing the services
3355 e.g. agency or supply cover ensuring that provision of essential services is maintained.

Specialist roles which are hard to recruit to may be vacant for some time due to challenges in sourcing people we need and these roles might be covered in other ways in the short term. The vacant budgeted salary costs will be required to offset those other costs. Now the Budget does already include an assumed ongoing level of vacancies for established staff and Members need to
3360 be aware the Budget for this year proposes to increase this from 5% to 7.5% which leads to a £2.6 million lower budget for established staff and all the roles are essential for the delivery of safe and effective public services.

Finally, regarding Point 5 which is about closing the DB Scheme, Deputy Murray has reminded Members we are due to submit a policy letter on this in early 2025 and that will allow the States to make decisions on the Public Service Pension Scheme before the end of Quarter 1 2025 based on the work that has been undertaken with the evidence. It is very interesting and I think Members really do need to see what is written there because there has been a lot of challenge from Policy & Resources, I can assure you.
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I do apologise for the length of the email but I thought it was important to go through all the points and especially, at the end, 3, 4 and 5 but hopefully this also explains why P&R will be opposing all aspects of this amendment.
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The Bailiff: Deputy Le Tissier.

3375 **Deputy Le Tissier:** Thank you, sir.

Now I should be supporting this amendment as it puts down on paper many of the things I have been saying since being elected. Maybe it is a stalking horse for GST but only Deputies Helyar and Mahoney know that. But I take comfort from Deputy Mahoney's assurance it is not, so thank you.

It is not surprising that Committee Presidents are pleading their case. I would not expect
3380 anything else. Now, I only mentioned deleting the unfilled posts after six months very recently when Jersey has done it, why not us? It is not a shameful act to copy the other place sometimes, sometimes they do get it right.

Then we come onto the lobbying we have had. I note that the unions are up in arms about the amendment but who runs the Island; is it this Assembly, the Civil Service or the unions? Well, it is not the latter. I think the public and the unions need a dose of financial reality and in that respect I am sounding very similar to the opposite side of the argument.
3385

If we do not cut back the only option left is to increase taxation by increasing Income Tax or introducing GST. Now, to me that is tax and spend and something that Deputy Parkinson mentioned this morning. Now, I am not in that camp. I say we should save all we can and then top up with the minimum tax increases needed and that is what the public expect. Maybe we will not make all the savings that people are claiming but we have got to show willing, we have got to show something.
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Now, on the contractual arrangements I have never heard of these type of increments in business. Alright I have never worked for the Civil Service, I have worked all my life in business but it does not work like that, it is performance related pay and we should have that in the Civil Service. The majority of the public get that and, yes, it might be unpopular to say but I think we should reward, handsomely, the high performers that work for the States. Yes, why not? If they are doing a very good job then they deserve a big pay rise. *(Interjection)* Right. But no to the time serving staff that that increments simply by being there and having an average appraisal. It is an outdated practice, I think, that needs a shake-up.

Then referring to some of the other speeches, I think Deputy Murray let the cat out of the bag there, he said that he got increments depending on his ability which I think is a totally different situation. Then he mentions that we should not compare ourselves with other jurisdictions because we are all different. Now I agree with that but he is being very selective because we have already heard from P&R, via Deputy Trott, that we need to compare our spending on the Civil Service to that of Jersey or the UK and Deputy Soulsby repeats that claim that we should compare. Now this reminds me of the old saying, showing my age, what is sauce for the goose is sauce for the gander.

Now on expenses, I think in business we squeeze the expenses until the pips come out. **(A Member:** yes) All that I am asking is that we do the same with States' expenditure and this amendment does make a slight start on that.

The only thing I would like to ask Deputy Helyar to comment on is why has it taken until now, couldn't this have been presented while Deputy Helyar was on Policy & Resources? **(A Member:** Hear, hear.) No doubt there are reasons, so I would like to hear why when Deputy Helyar sums up. So I do not think 1 and 2 are worthy of support, we will see how the Deputy Dyke amendment goes, but I think 3, 4 and 5, I am minded to support those.

Thank you, sir.

The Bailiff: Deputy Vermeulen.

Deputy Vermeulen: Thank you, sir.

I am grateful to Deputy Helyar and Deputy Mahoney for laying this amendment, I truly am. It was not that long ago Deputy Murray was describing Deputy Helyar as someone who can contribute and, indeed, with this amendment he has contributed.

Now earlier today I alluded to us needing to adopt two or three having those pokers in the fire. We have fallen at the first hurdle by rejecting Deputy Parkinson's amendment, that was one opportunity and do not fall at the second hurdle which is now before you in this amendment. Anybody would think, with the resistance that this amendment has met, that it was a massive cut of 75% or closing this or doing that; it really is a very modest proposal at 6% of 7%. In the frame of things it is not a draconian measure at all and I have followed social media, some of Deputy Helyar's postings and he has got enormous support.

Yes, there are 1 or 2 who do not think this is the right thing but he has got enormous support from the public and I think that this is the first thing. Having walked with the 5,000, I think that is the first thing that I would like to point out – and I will give way in a moment – that there is an expectation from the public of us making some efficiencies. Please do not call it cuts, make some efficiencies. It can be savings, it can be getting more revenue in, it can be a combination of things.

I will give way to Deputy Trott.

Deputy Trott: Sir, I think it is well known in this Assembly that I hold Deputy Vermeulen in very high regard – a successful businessman *(Laughter)* and a man who believes sincerely in what he is saying. So I want to ask him a question, it is not a trick question, he is a member of the Home Affairs Committee, he knows how difficult it is to retain policemen, he knows it is a challenge often recruiting and retaining firemen.

So is he telling this Assembly that he accepts as a member of the Home Affairs Committee that there should be reductions in the pay and benefits to policemen and firemen of the magnitude that

3445 this amendment would require? I do think it is a yes or no question but if it is a no answer I would like him to explain why he does not feel that way.

Deputy Vermeulen: Well, we will get to that in good time. (*Laughter*) But first why do I welcome this amendment that is so unsavoury amongst so many of your palettes out there today? Well it is because of this, I do not believe in the squeezed middle being squeezed out even more.

3450 Now, yesterday the Bailiff had a brief chat with me and said you do not have to repeat everything you said about various things that you have spoken on in the past and my view on GST is well known. I am not supportive of the GST, I do not think the public have accepted a GST. So that is one option which we are faced with.

3455 The other option is the 10% increase in our Income Tax which really we have got to keep ourselves competitive in Guernsey and my whole working life all I have known, ever, was 20%; that is all I have ever known. Now let us just have a reality check here, an average Guernsey worker earning say £42,000 will be paying 10% more tax and insurance than in the UK. Just let that soak in before we throw this amendment out. An average Guernsey worker on £42,000 will be paying 10% more tax and insurance than the UK. Now in 2008 –

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Deputy Soulsby: Point of correction, sir.

The Bailiff: Point of correction, Deputy Soulsby.

3465 **Deputy Soulsby:** I would love Deputy Vermeulen to show his workings because on comparing us with the UK I think their contribution rates are already much higher than us and so are their Income Tax rates.

The Bailiff: Deputy Vermeulen.

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Deputy Vermeulen: Well that is from my calculations.

But if we have a look in 2008 someone on an average wage in Guernsey of £28,000 would have spent 20% less in the UK. So in 16 years you have got a difference of 30% and that is the last 16 years which we have gone through. So I want to try and avoid that if possible.

3475 There might be some other tax reforms we could adopt but GST, for me, or a 10% increase in Income Tax are, separately, until this morning, I could not have thought of anything worse and then I saw Amendment 22 and there it was! (*Laughter*) There it was and my heart went aflutter, sir, it went aflutter. The blood pressure was very steady, like it always is, to be honest with you, but boy oh boy. So there is an amendment with both and there I was thinking a hybrid, there we are we are going to save some money and we are going to increase some tax, something that would probably be successful but, no, we will have some GST and we will increase Income Tax as well. So, yes, that was this morning and that is Amendment 22 yet to be debated.

3485 Deputy Trott has asked me as an experienced businessman what could you do, what could you do, Simon? Now all my life I have been on the outside and I have run business and I know where to look, I know who to talk to, I know the people in any organisation, on how to find savings.

3490 Now we would find savings on a year in, year out basis. Every year we would find some efficiencies in our organisation and we would know how to. When I was first asked to do it, the first time I was asked to do that I said, 'You have got to be joking, we did that last year, we are not going to do it again next year.' But, guess what, we did it each and every year and that is what business out there is doing. Year in, year out; they are looking at efficiencies constantly.

They are also looking at driving their top end, which is something I have promoted that we should be doing here. So it is not necessarily putting prices up but it might be creating growth and to have growth you have got to have a serious policy and that is something which a lot of people in finance that I have been talking to do not see a strategy for Guernsey, they just do not get it and

3495 they are considering what Guernsey offers them as a place to do business and they are looking at other places. So we cannot make ourselves uncompetitive.

Now the dilemma we face, and it is an honest dilemma, is that a lot of the heads of departments have said, 'We cannot make ... this is how we run and that is the States of Guernsey. We have always done it this way, this is how we run.' So that is how that department runs, that is how that department runs and that is how the other department runs.

3500 Now, that is far harder to keep running them in the same way and make those sorts of savings, 6% or what is our, 3.8%, I think, or 4.2%; it is far harder to keep doing in that old way. So you have got to look at doing things in an innovative way. Not everyone can do it and it is not always straightforward and obvious but there are opportunities to do it.

3505 I have come into politics quite late in life, I have had a history of work and I thought I knew what to expect but when I sit in Committees, especially when you meet another Committee, and they bring in all their officers and all their Deputies and non-voting States' Members and then they bring in the senior Civil Service team on the big salaries and they queue up on the screen there the consultants which they have engaged, I look around the table and I measure it.

3510 I look at the body language, I look at what is being said and when Deputy Parkinson talks about AI it is more than common for consultants to say, yes, we will do that piece of consultancy for you and they go and press the AI buttons. It is almost like going back in time, we have still got people religiously taking down the minutes – (*Interjection*) well, Deputy Gollop likes that; there is nothing wrong with liking tradition but if you are looking to make some savings and some efficiencies you could record the meetings.

3515 There is software, artificial intelligence has a part to play and instead of engaging expensive consultants, I think inside our organisation you should have all the skills on hand already so you do not need to consult out, but there is more and more expensive consultancy going on all the time.

3520 I was with Deputy Roffey last week in his palatial centre at Brickfield House, hard wood skirting, a lift, beautiful, it was just like a five-star hotel. We were in the boardroom and I was saying my piece and I was asking if we were getting value from doing a piece of work in that particular way, using those particular people that we engage in the UK. This part of work was done in Alderney before and the office closed, the office is still empty at the Airport. He said, 'Ahh, now that is exactly the same question that the consultants have just asked us, Deputy Vermeulen,' and I pointed out, yes, but the consultants charge you £65,000 and I am suggesting it free of charge. (*Laughter*)

3525 Now there are savings but we would have to do things differently and there is nothing wrong in looking at doing things differently. We need to be fresh, we need to come at this and so going forward I could make savings and that answers Deputy Trott's question. I am tempted to support most of this, to be honest. I really like it and I agree 100% with Deputy Helyar.

3530 We had a person in our party earlier on who was all about Civil Service reform and Deputy Helyar said this is probably the only way to get that reform going and I tend to agree with him.

So I, for one, am going to avoid GST and Income Tax rises and squeezing the middle further and further and I am going to support this.

3535 **The Bailiff:** Well, Members of the States, it is half past five. Earlier, when I called Deputy Vermeulen at least two other Members stood up. How many Members still wish to speak in debate on Amendment 3?

3540 What I am going to put to you is a motion that we conclude Amendment 3 today, so we have whoever else wants to speak, as succinctly as possible, and then we hear from Deputy Trott and then we hear from Deputy Helyar and then we take the votes on it and then we finish for today. Those in favour; those against.

Members voted Pour.

The Bailiff: I will declare that carried. Who wants to speak?

3545 **Deputy Haskins:** Sir, can I ask for a Rule 26(1) please?

The Bailiff: Will those Members who still wish to speak please stand in their places. Deputy Haskins, is it still your wish that I put the motion pursuant to Rule 26(1)?

3550 **Deputy Haskins:** Yes, please, sir.

The Bailiff: So the motion is that there be no further debate other than to hear from Deputy Trott and Deputy Helyar replying to the whole debate. Those in favour; those against.

Members voted Pour.

3555 **The Bailiff:** I will declare that carried.
Deputy Trott.

Deputy Trott: Thank you, sir.

I have to say that my friend, Deputy Dyke, comparing me to Rachel Reeves was a low blow,
3560 (*Laughter*) it was, in my view sir, an egregious act and I have only just recovered, if I am honest with him.

Deputy Dyke: Sorry, she has got more hair than you.

3565 **Deputy Trott:** Indeed, and she is considerably better looking as well! (*Interjection*) And more intelligent while we are at it. But recover I have and I shall live to fight another day but I am going to start by joining those who have described this amendment as the right thing to bring and I think it is part of the journey. Part of the journey that, hopefully, will get us to where we need to get to and dealing with these sorts of amendments that look to slash public spending is an interesting
3570 part of that; so no criticism from me.

Deputy Ferbrache made some remarks, he said it is time for us to be honest with people and he remarked that only he and Deputy Gollop had been honest with people. Well maybe during the time frame he gave but I stood at the last election and made it very clear to the people of this community that we were taking insufficient tax. I wrote a number of articles for the local newspaper
3575 and blogged and things of that nature explaining that we simply could not sustain public services to the extent that was required on the amount of tax that we were taking from GDP.

I think Deputy de Lisle is understandably confused because I think it is a confusing picture in the green book because he continued with the myth that the public service is bloated and out of control but in the green book under the heading Public Administration it contains, I am advised, a number
3580 of other categories that might not be obvious. For instance, it includes the Guernsey Financial Services Commission, it includes Guernsey Finance and a number of other organisations that inflate that number that are little to do with the public sector. I say little to do because, of course, Guernsey Finance does receive some of its funding from general revenue but I think he would agree with me that those sorts of organisations are part of the public administration of the Island but are absolutely
3585 not part of the Civil Service.

Now, Deputy Dyke talked about the drop in GDP compared to Jersey and I was delighted that he did because Deputy Dyke and I have a number of things in common, not least our desire to see – and Deputy Vermeulen as well for that matter – an increase in our GDP output. Now it is no surprise to me, no coincidence that Jersey has outperformed us in terms of GDP in recent years,
3590 because they have invested heavily in their infrastructure when we have not, (**A Member:** Housing) Well, housing in particular but in other ways as well.

I wrote an article which was published a couple of days ago where I made the point that significant infrastructure investment does not guarantee growth, there are a number of other factors. But a dearth of public sector infrastructure investment will almost certainly guarantee

3595 stagnation and that is completely unacceptable to me and the correlation between public investment with appropriate private sector investment and GDP growth is obvious.

There is also another reason, of course, why their GDP growth has outperformed us; it is to do with their banking sector which is larger and the positive impacts that the profits on banking deposits have generated as a consequence. Things will normalise there as soon as interest rates normalise, which is likely to be sooner rather than later.

3600 Now, I think somebody asked, I am not sure whether it was Deputy Mahoney but somebody asked about the so-called Savings Committee, the Reducing the Costs of the Public Service Sub-Committee, it does not appear to have delivered anything, why? Well the main reason it has not delivered anything is because the overwhelming majority of responses in a quantitative way that came from our community did not identify cost savings and efficiencies at all but rather – it was not
3605 Deputy Mahoney but it was somebody else of a sensible nature, I forget who, through you, sir – but the Savings Committee identified a whole load of ways of raising taxes, raising fees, raising charges but *very little* in the way of public savings and efficiencies and the like, which was a surprise to me.

3610 **Deputy Kazantseva-Miller:** Point of correction, sir.

The Bailiff: Point of correction, Deputy Kazantseva-Miller.

Deputy Trott: It is a point of correction, is it?

3615 **Deputy Kazantseva-Miller:** Sir, I do hate to interrupt the Chief Minister because I think he was delighted to see that some of the output from the public service staff survey, etc. was that there was, indeed, a quantum of revenue raising suggestions. But I think since that it is now becoming that the vast majority of suggestions somehow were about revenue generation.

3620 I just want to slightly pose that while, yes, we absolutely did receive a quantum of revenue generating suggestions, the majority of the ideas generated were still around efficiencies, restructuring, etc. So I just do not want that myth to continue being propagated because it is not exactly accurate but I appreciate his sentiments.

Thank you.

3625 **Deputy Trott:** I was very careful, sir. I do not think that is a genuine point of correction and I will tell you why, because I was very clear to make the point that it was from a quantitative perspective; In other words there were some suggestions on how to save money but they were a fraction in relation to the effect as a comparison of the fees and charges and other tax measures that were suggested and I think that tells us a lot about the feeling within the community.

3630 Now, Deputy Mahoney talked about the Superannuation Fund, the public sector workers' pension and others have talked about the report from the independent actuary, which will be coming before this Assembly, I think I heard colleagues say, in the early part of next year. Personally, I thought it was in December, but it is coming imminently.

3635 Now, what that report tells us is that, and it is very clear on this, a direct contribution scheme, a DC scheme, could end up costing the States more for less benefits for the employee. In other words, it is another example of a potentially counter-productive outcome but it absolutely does not create the massive savings at this stage that some believe it would. But soon the evidence again from an independent actuary will be presented.

3640 Now, I am fairly certain, as I am sure we all are, that this amendment will be rejected but before we do we do need to note some other statistics because the peddling of the myth is extremely unhelpful. We already know, I think absolutely, that we spend less per capita on public services than the other CDs and I take on board Deputy Le Tissier's point about comparisons. The UK has a defence force, a network of embassies and the like, but the comparisons between the other two
3645 Crown Dependencies who have very similar constitutions and are as equally independent as us in the manner in which they go about the administration of public services is a fair comparison.

It is important to note that we spend less per capita, materially less, than the other CDs. We take less in tax from our GDP than the other CDs (*Interjection*) and we have the smallest Civil Service relative to those who are employed outside of the public sector and economically active. Those are the facts and it does not matter how many times people try to peddle the myth that we have a bloated, inefficient and wasteful –

If you stand, of course. I am very happy to give way to my friend, Deputy Vermeulen.

Deputy Vermeulen: I am grateful to Deputy Trott for giving way.

Let us just look at Education in the UK, 5% of all children in the UK are educated privately. Now in Guernsey it is 30% of all children are educated privately. So there is a saving there. So whilst comparing us with the UK we are quite different in many ways.

Deputy Trott: I was actually comparing ourselves with the United Kingdom. It was actually you, Deputy Vermeulen, through you, sir, that was making comparison with the UK but I will make some comparisons because here in Guernsey we take around 24% of our output, of our GDP and tax and in the United Kingdom they take 39%. The reason I mention that is that you tried to make some comparisons between an average earner here and an average earner in the UK and you talked about issues around Income Taxes and National Insurance, as they call it.

But you neglected two of the things you care passionately about, the fact that that same individual will pay 20% VAT on their consumption and the same individual will pay enormous rates on where they are living, either as a rented person or as an owner. So we have got to be very careful with comparisons.

What we do not need to be particularly careful about is the information that the Policy & Resources Committee received when it was asked in a letter to all Committees, some of which have been addressed by Presidents this afternoon, what action they would take should Amendment 3 or, for that matter, 14 be successful.

There is just a short precise here of some of the comments that we got back as a reminder, really, of what the consequences would be. The Committee for Economic Development – which, of course, includes within its members my friend, Deputy Vermeulen – highlights that the impact will be on three main services; the Guernsey Registry, Locate Guernsey and ultimately the tourism sector.

The tourism sector! The very sector that my friend, (*Laughter*) Deputy Vermeulen, promotes. I mean they highlight the difficulty in delivering its mandate if budgets were cut which will have an impact on economic growth and associated tax revenues. An impact on economic growth, precisely the opposite of what he and many others in this Assembly want.

They say that the Committee for Economic Development's mandate is to invest in the economy, to generate increased tax take and GDP for Guernsey Investment because it is critical in generating growth, particularly at a time when the States must grow the economy because increased tax take for the future is essential.

So it is completely counter-productive and absolutely counter-intuitive to do, according to your Committee, I mean I have not made these words up, according to your Committee. So I ask him to reconsider and the reason I ask him to reconsider, through you, sir, because I know Deputy Vermeulen means what he says about economic growth, it is important to him, let us not jeopardise that please.

Now the Committee for Education, Sport & Culture highlight that the majority of their budget is allocated to pay and the President did that very well when she spoke. This, along with the need to maintain its statutory functions, means that it would be services which are currently in place to support our most vulnerable children and young people that would be put at risk. This is not scare mongering, this is just a response from a set of responsible people who are telling us what the consequences of an amendment of this nature are.

In addition to reviewing central support services, should these amendments be successful, consideration would need to be given to reducing or ceasing grants to the third sector partners as well as relooking at education provisions on Herm Island. Well that, I think, clearly is a no brainer. I

think the arguments in favour of that have been strongly made. But we are, in fairness, only talking about a couple of £100,000; my words, not theirs.

Now the Committee for Employment & Social Security states that the impact would directly harm the most vulnerable people in the community and I do not believe for a moment that Deputy Helyar, Deputy Mahoney or any of the other people who have purported to support this amendment want to do that. In fact I cannot think there is anyone in this Assembly that would want that outcome. But that is the outcome that we would get.

The Committee for Health & Social Care, now the President was very careful, he did not want to get into the position of telling the community what the consequences are. So I will (*Laughter*) and if they want to burn effigies of me, well it is all in a day's work for the President of the Policy & Resources Committee.

The Committee for Health & Social Care stress the existing significant pressure that they are already under and state that in order to reduce expenditure by £13 million to £14 million it would need to cease some services – *cease* some services – and it is left to provide some examples of where such savings could be made.

The first thing is reduce funding for NICE TAs; the introduction of charges or additional means-testing for services currently provided for free, such as secondary care, hospital food, travel allowance grants and so on; material increase to existing charges; prescriptions, removal of prescription subsidies.

Now some of these things may need to come in the future when the universality of what we offer needs to change so people like Deputy Vermeulen, Deputy Helyar, Deputy Ferbrache, Deputy Dyke and myself, who can afford these additional charges bear them to ensure that those in more need get what they need.

The Committee for Home Affairs, I particularly liked this answer, says we recognise the pressure on Government finances but we refuse to speculate where cuts would be made other than to say absolutely that there would be an inevitable impact on front line service delivery. Now, my good friend Deputy Vermeulen, sir, through you, is also a Member of the Home Affairs Committee, which is why I specifically asked him that question in the give way of what do you want, less policemen, less firemen please tell us.

Look, this amendment is brought with good intentions and we have had to go through this cathartic experience, all five aspects of this amendment should be rejected and they should be rejected resoundly because we cannot do what is being asked without severe and prolonged damage to public services. That is not what any of us are in this job for.

The Bailiff: Finally, I will invite Deputy Helyar as the proposer of Amendment 3 to reply to the debate please.

Deputy Helyar: Thank you, sir, and thank you to the Members for their contribution. I think it has been a reasonably constructive debate. We will see what happens when we get to the voting.

I am going to deal with themes if that is okay. There were some questions which I will answer directly but I think going back to where I started, which was what was the motivation, what was the genesis for this, and P&R has to do the responsible thing, it is the leading Committee, it has to try its best to unravel the Gordian knot of where does the balance lie between cost and raising revenue to pay for it.

Of course if cannot bring a bullseye budget, it cannot bring a 'This is what you could have won'. It just cannot do that, it has to stick to its guns on what it set, the many months of discussions which I have been through on four previous occasions with Committees setting out budgets arguing over allocations and reserves and all of the huge amounts of work that goes into that. So there is challenge all the way through the process and I am very aware of it.

The problem for me is that, as I said at the outset, there is a lack of public trust and that goes right through the public, as far as I can see. A lack of trust that if we raise tax in any way irrelevant

3750 as to whether it is Income Tax or GST or anything else, the public does not trust us to spend it wisely, it just does not and we need to do something about that and it needs to be more of a priority.

My view is and this goes, perhaps, to answering Deputy Le Tissier's question, which was why has this taken until now for you to do this? Well, I have only got one vote, Deputy Le Tissier is just as capable of bringing amendments as anyone else and has done in the past. (**A Member:** Hear, hear.)
 3755 The point is when I was Treasury lead in the run up to the last debate that we had about GST, as Members will be aware, we asked the question of every Committee, 'What would you cut if we said 5% or 10% of your budgets next year?'

So we had started the preparation for the process of making direct cuts in the same as envisaged by this particular amendment. Now, I did not get to get to the end of that cycle because we were
 3760 deposed which is fair enough, that is democracy, but the work was already being done.

Deputy Trott: Point of correction.

The Bailiff: Point of correction, Deputy Trott.

3765

Deputy Trott: He resigned.

Deputy Helyar: I will take that, absolutely true. I think if I had not I probably would have been deposed so there we go. The writing was on the wall.

3770 The point is we have got to really consider how we deal with the public reaction to the decisions that we make this week because they are not going to go away. This pressure on costs is going to continue because as we start taking money out of people's pockets and these proposals will do that, whether we like it or not, people are going to get more and more angry about it and be more demanding that we justify where the money is being spent and we all have a responsibility to ensure
 3775 that is being done and that really was the primary reason for me bringing this amendment.

We need to try to square the circle between the fact that we are providing a lot of services to the public and some of the public are asking for more of them or more support for worthy enterprises like St James, for example, has been a recent one. There is less and less prospect of us being able to do that unless we take very difficult decisions about funding and then justify what
 3780 that money is being spent on.

So hopefully that answers Deputy Brouard's question which is, 'Why did he do it?' I asked myself that many times and not just in connection with this. Deputy Leadbeater asked me a specific question about adult services. I am not really qualified to answer but that does sound, to me, like a prime example of something that should be continued as an open position because it is providing
 3785 a service directly to the public.

I think I have answered Deputy Le Tissier's question of, 'Why has it taken until now?' Had I continued in the role it is quite likely that the Budget would have been a 5% or 10% cut, it is quite likely because we had already been through several iterations of trying to square the knot, making proposals that would have provided for a stable future for our finances but we decided not to do
 3790 that and then the only alternative would have been cuts. And I suspect somebody, I do not know which Member in particular, but somebody might bought an amendment either to increase Income Tax or to bring back GST, or a combination of both. So we would have been a flip side of the same argument that we having because there are no other answers to this.

I know that everybody wants corporate tax to solve it and somebody to come over the horizon
 3795 on a white charger and say, 'Do not worry, I will pay your tax bill!' It ain't going to happen. It might happen 20 years in the future but even today the US election could make a vast amount of difference to the amount we take from Pillar 2. So we have to be mindful and we have to be able to adapt to the future.

So thank you, Members. I do commend you in supporting those which you feel you can support.
 3800 I think amendments to the way in which our employment contracts work and our proposals for pensions, I think we should send a very clear signal to the public that we are capable of making

changes in here that will have a difference to the way in which our relationship with spending money on our staff work and so, for that reason, let us try and earn some trust by approving these proposals.

3805 Thank you, sir.

The Bailiff: Well, Members of the States, we now come to the voting on Amendment 3 proposed by Deputy Helyar, seconded by Deputy Mahoney. As I indicated at the outset, I propose to put Propositions 1 and 2 only to you first because they are to amend Proposition 29, and then I will enquire as to whether I can put all three of the other Propositions to you together or whether people

3810 want to vote separately on them. So there will be three separate votes for 3, 4 and 5 discretely.

So 1 and 2 is ready to go and, therefore, I will invite the Greffier to open the voting on Propositions 1 and 2 in Amendment 3.

3815 *There was a recorded vote.*

Propositions 1 and 2.

Not carried – Pour 6, Contre 27, Ne vote pas 2, Did not vote 2, Absent 3

Pour	Contre	Ne vote pas	Did not vote	Absent
De Lisle, David	Aldwell, Sue	Dyke, John	Bury, Tina	Cameron, Andy
Helyar, Mark	Blin, Chris	Roberts, Steve	Parkinson, Charles	Gabriel, Adrian
Mahoney, David	Brouard, Al			St Pier, Gavin
McKenna, Liam	Burford, Yvonne			
Meerveld, Carl	De Sausmarez, Lindsay			
Vermeulen, Simon	Dudley-Owen, Andrea			
	Fairclough, Simon			
	Falla, Steve			
	Ferbrache, Peter			
	Gollop, John			
	Haskins, Sam			
	Inder, Neil			
	Kazantseva-Miller, Sasha			
	Le Tissier, Chris			
	Le Tocq, Jonathan			
	Leadbeater, Marc			
	Matthews, Aidan			
	Moakes, Nick			
	Murray, Bob			
	Oliver, Victoria			
	Prow, Robert			
	Queripel, Lester			
	Roffey, Peter			
	Snowdon, Alexander			
	Soulsby, Heidi			
	Taylor, Andrew			
	Trott, Lyndon			

3820 **The Bailiff:** In respect of those two Propositions there voted in favour 6 Members, there voted against 27 Members, 2 Members abstained, 5 Members did not participate in that vote and, therefore, I will declare Propositions 1 and 2 lost.

We will move next to taking Proposition 3 from Amendment 3 on its own and once again I will invite the Greffier to open the voting on Proposition 3 which is to insert a new Proposition dealing with static pay rates.

3825

There was a recorded vote.

3830 *Proposition 3.*

Carried – Pour 18, Contre 14, Ne vote pas 3, Did not vote 2, Absent 3

Pour	Contre	Ne vote pas	Did not vote	Absent
Blin, Chris	Aldwell, Sue	Burford, Yvonne	Bury, Tina	Cameron, Andy
De Lisle, David	Brouard, Al	Dudley-Owen, Andrea	Parkinson, Charles	Gabriel, Adrian
Dyke, John	De Sausmarez, Lindsay	Roffey, Peter		St Pier, Gavin
Ferbrache, Peter	Fairclough, Simon			
Haskins, Sam	Falla, Steve			
Helyar, Mark	Gollop, John			
Inder, Neil	Le Tocq, Jonathan			
Kazantseva-Miller, Sasha	Matthews, Aidan			
Le Tissier, Chris	Murray, Bob			
Leadbeater, Marc	Prow, Robert			
Mahoney, David	Queripel, Lester			
McKenna, Liam	Soulsby, Heidi			
Meerveld, Carl	Taylor, Andrew			
Moakes, Nick	Trott, Lyndon			
Oliver, Victoria				
Roberts, Steve				
Snowdon, Alexander				
Vermeulen, Simon				

The Bailiff: There voted in favour 18 Members, 14 Members voted against, 3 Members abstained, 5 Members did not participate and, therefore, I will declare that Proposition duly carried. We will work out what number it is given in due course.

3835

We will now move to Proposition 4 from Amendment 3 on its own and I will invite the Greffier to open the voting on that. That is about deleting posts if they have not been filled for six months.

There was a recorded vote.

3840

Proposition 4.

Carried – Pour 18, Contre 17, Ne vote pas 0, Did not vote 2, Absent 3

Pour	Contre	Ne vote pas	Did not vote	Absent
Blin, Chris	Aldwell, Sue	None	Bury, Tina	Cameron, Andy
De Lisle, David	Brouard, Al		Parkinson, Charles	Gabriel, Adrian
Dyke, John	Burford, Yvonne			St Pier, Gavin
Falla, Steve	De Sausmarez, Lindsay			
Ferbrache, Peter	Dudley-Owen, Andrea			
Helyar, Mark	Fairclough, Simon			
Inder, Neil	Gollop, John			
Kazantseva-Miller, Sasha	Haskins, Sam			
Le Tissier, Chris	Le Tocq, Jonathan			
Leadbeater, Marc	Matthews, Aidan			
Mahoney, David	Murray, Bob			
McKenna, Liam	Prow, Robert			
Meerveld, Carl	Queripel, Lester			
Moakes, Nick	Roffey, Peter			
Oliver, Victoria	Soulsby, Heidi			
Roberts, Steve	Taylor, Andrew			
Snowdon, Alexander	Trott, Lyndon			
Vermeulen, Simon				

The Bailiff: There voted in favour 18 Members, 17 Members voted against, no Member abstained, 5 Members did not participate in that vote. So once again I will declare Proposition 4 from Amendment 3 duly carried, which again inserts a Proposition and we will work out the numbering in due course.

3845

Last, but not least, Proposition 5 from Amendment 3 which is about the pension scheme and once again I will invite the Greffier to open the voting on Proposition 5 from Amendment 3 please.

3850

There was a recorded vote.

Proposition 5.

Not carried – Pour 16, Contre 17, Ne vote pas 2, Did not vote 2, Absent 3

Pour	Contre	Ne vote pas	Did not vote	Absent
Burford, Yvonne	Aldwell, Sue	Brouard, Al	Bury, Tina	Cameron, Andy
De Lisle, David	Blin, Chris	Oliver, Victoria	Parkinson, Charles	Gabriel, Adrian
Dyke, John	De Sausmarez, Lindsay			St Pier, Gavin
Ferbrache, Peter	Dudley-Owen, Andrea			
Haskins, Sam	Fairclough, Simon			
Helyar, Mark	Falla, Steve			
Inder, Neil	Gollop, John			
Kazantseva-Miller, Sasha	Le Tocq, Jonathan			
Le Tissier, Chris	Matthews, Aidan			
Leadbeater, Marc	Moakes, Nick			
Mahoney, David	Murray, Bob			
McKenna, Liam	Prow, Robert			
Meerveld, Carl	Queripel, Lester			
Roberts, Steve	Roffey, Peter			
Snowdon, Alexander	Soulsby, Heidi			
Vermeulen, Simon	Taylor, Andrew			
	Trott, Lyndon			

3855

The Bailiff: There voted in favour 16 Members, there voted against 17 Members, 2 Members abstained, 5 Members did not participate in that vote and, therefore, I will declare Proposition 5 from Amendment 3 lost, which means that we have two new Propositions to insert into the suite of Propositions when it comes to the final vote.

3860

Now before we rise, Members of the States, let me just try and clarify a few matters for you. We have had a long day today and we have got through two amendments. I think it is going to speed up. I am reasonably confident (*Laughter*) that it will speed up but in relation to Amendment 14 I am going to invite Deputy Dyke and Deputy Vermeulen to reflect overnight as to whether or not they want to move that amendment but if they do choose to move that amendment there does not need to be as extensive a debate on it because it is really the same as before, it is just different numbers but it was lost 6:27 in Amendment 3.

3865

Now this Meeting is a three-day Meeting. The reason I say that is that when you look at Rule 6 it simply says at the end of the third day it goes, for any unfinished business, to the next scheduled date of a Meeting which is coming up later this month. However, if it is the desire of Members to continue the debate into Friday then that can be accommodated.

3870

There may be some people who cannot be here on Friday and that will be a matter for discussion between you all. But if we get to the end of Thursday and we have not concluded both Articles of business then I, potentially, will invite some debate at that point as to whether to go into Friday or not. I say that now just in case people want to start thinking about their arrangements for the end of the week.

3875

But it is still my hope, as ever, because I am an optimist, like Deputy Trott, (*Laughter*) that you will finish all the business by the end of Thursday. We will now close the Meeting for today and adjourn until 9.30 in the morning.

The Assembly adjourned at 6.01 p.m.