



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Tuesday, 15th July 2025

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Present:

Ms J E Roland, Deputy Bailiff and Deputy Presiding Officer

Law Officers

R. M. Titterington, K.C. (H.M. Comptroller)

People's Deputies

C. P. A Blin	M. S. Laine
Y. Burford	M. P. Leadbeater
T. L. Bury	J. P. Le Tocq
A. K. Cameron	M. Malik
H. L. Camp	A. D. S. Matthews
G. M. Collins	L. J. McKenna
R. P. Curgenvin	P. S. N. Montague
H. L. de Sausmarez	A. J. Niles
D. F. Dorrity	G. A. Oswald
S. J. Falla	J. M. Ozanne
A. Gabriel	C. N. K. Parkinson
J. A. B. Gollop	S. R. Rochester
L. T. Goy	T. M. Rylatt
S. T. Hansmann Rouxel	A. S. Sloan
M. A. J. Helyar	G. A. St Pier
R. M. Humphreys	J. D. Strachan
N. R. Inder	L. C. Van Katwyk
B. R. Kay-Mouat	S. P. J. Vermeulen
A. Kazantseva-Miller	S. Williams

Representatives of the Island of Alderney

Alderney Representatives E. Hill and E. A. J. Snowdon

The Clerk to the States of Deliberation

S. M. D. Ross, Esq. (States' Greffier)

Absent at the Evocation

Business transacted

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States of Deliberation

The States met at 9.30 a.m.

[THE BAILIFF *in the Chair*]

PRAYERS

The States' Greffier

EVOCATION

CONVOCATION

5 **The States' Greffier:** Billet d'État XV of 2025. 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, 15th July 2025 at 9.30 a.m. to consider the items listed in this Billet d'État, which have been submitted for debate.

Procedural – Photograph by media – Motion carried

10 **The Deputy Bailiff:** Thank you. Good morning, everybody, and welcome to this first, can I say, proper sitting of the States? Our first order of the day in fact is to agree or not whether you want a photograph. I am going to put that motion to you. This will be *aux voix*. So those who support the motion that the media should be allowed to take a photograph please say *pour*. Those against? (*Laughter*) Jolly good.

15 *Members voted Pour.*

The Deputy Bailiff: I declare that motion has passed. If anyone wants to brush their hair (*Laughter*), put their best smiles on to record this, can I say, historic occasion?
Thanks very much.

CPA AGM – Rt. Hon. David Mundell speaking

20 **The Deputy Bailiff:** The other thing I wanted to remind you all of this morning is that immediately after the ending of the discussion and debate today, there is the CPA AGM and I would encourage everybody to come along to this meeting to learn a little bit about the CPA. We are going to be dealing with elections, but also we have the privilege of a speaker and that is, if I find my notes correctly, a Scottish Member of Parliament – a Conservative Scottish Member of

Parliament no less – David Mundell, who is going to be speaking to us for at least 10 minutes. That is the Rt. Hon. David Mundell MP. That is immediately after the business of the day finishes, after a short comfort break.

States' Greffier.

Billet d'État XV

POLICY & RESOURCES COMMITTEE

1. Policy & Resources Committee – The States of Guernsey Group Consolidated Financial Statements 2024 – Proposition carried

Article 1.

The States are asked to decide whether they are of the opinion to agree with the Policy & Resources Committee's approval of the States of Guernsey Group Consolidated Financial Statements for the year ending 31 December 2024.

The States' Greffier: Yes, madam.

Article 1, the Policy & Resources Committee – The States of Guernsey Group Consolidated Financial Statements 2024.

The Deputy Bailiff: Deputy St Pier.

Deputy St Pier: Madam Presiding Officer, although, of course, I was not a member of the Policy & Resources Committee which approved the 2024 States' Accounts, it is my honour to present them this morning. Thank you to those Members who have provided me with questions in advance, a number of which I will seek to address in opening this debate.

This set of Accounts marks the end of a very long journey, which started with our predecessor's decision in 2012 to adopt accounting standards which fully comply with International Public Sector Accounting Standards, abbreviated to IPSAS. In a twist of fate, that decision was made under the guidance of Deputy Charles Parkinson, then the Treasury & Resources Minister, who now finds himself back on the Committee responsible for that subject.

This journey has required extensive planning, amending of processes and procedures, identifying and valuing assets and involvement from a range of public services to result in the delivery of these Accounts. When the decision was made to adopt these standards, it was noted that, and I quote:

It is important that the framework is not seen as an end in itself but rather as a significant contribution towards good and effective governance.

This has indeed been the case through the journey to compliance with £1.7 billion of fixed assets being identified, valued and assessed, provisions being identified and reported on, and maybe most importantly this year, the value of the entire accounting group being brought together in the one document before Members this morning. We are one of only 17 jurisdictions who are fully compliant with IPSAS. Full compliance differs from many other jurisdictions who create their own frameworks, which adds an element of choice to what they present.

Looking back to the decision in 2012, we also see that a significant driver was assisting to improve our budgeting. Having full and complete financial accounts acts as an anchor from which our budgets gain stability and can be measured. Indeed, IPSAS requires that budgets, if published, are presented and compared against the actual performance in the accounts each year. This gives the States and the public an independent assessment of our performance against our plan, the Budget, each year.

The accounting group covers all material entities over which the States have control, which is not necessarily the same as ownership. Accounting control is broader. It equates to underwriting of all assets in the group. The debt of the group is fundamentally all accumulated for the purposes of the States' credit rating, so this gives a full view of the group balance sheet for rating agencies. However, the ability of the States to raise taxes to support the operations of Government and service the debt are, of course, a key focus.

The group has assets of £4.6 billion, of which £2.4 billion are fixed assets, such as roads, buildings, IT, equipment, power lines, aircraft, reservoirs, and so on. And £1.8 billion are financial assets. The liabilities, comparatively, are small, at £0.7 billion, of which the bond loan of £330 million is nearly half. This leaves reserves of £3.9 billion in the group. These accounting reserves are, of course, not the same as accessible cash. After allocations to social security – about £950 million – and accounting adjustments – £1.7 billion and so on – the net assets of incorporated and unincorporated entities and the other reserves, the unallocated accounting balance is £350 million. This aligns with what has previously been reported. This States will need to make decisions later this year through the Funding and Investment Plan based on this balance as one of the starting points.

The group overall had an operating deficit of £90 million in 2024, a significant deterioration to the £38 million surplus in 2023, a swing of £57 million. Our core Government at £53 million and Aurigny at £11 million were key contributors to that swing.

However, it is worth noting that all our incorporated and unincorporated controlled entities, with the exception of the Ports and Aurigny, produced an operating surplus in 2024, contributing £25 million in the year. The accounting group employs just under 6,600 staff, which has been noted to be about 20% of the working population. While this is a significant number, it is also important to recognise two points. Firstly, that that number, 6,600, now includes a number of trading entities, such as Guernsey Post and Guernsey Electricity, which previously would not have been taken into account and reflected in that number. Secondly, of course, we have to remember the breadth of services that the group provide to our Islands and their people.

Madam, the group's auditor is Grant Thornton. Grant Thornton have audited the Accounts from the year ended 2017 for a seven-year term. As this finished in 2023, just prior to the transition to IPSAS, a further three-year term to finish in December 2026 has been negotiated. Following this, a full tender will be issued. During this period, Grant Thornton's audit partner responsible for the States has been rotated off the job after seven years, which is good practice within the accounting sector. The entities of the group outside core Government are audited by different audit firms: Gurnsey Electricity by EY, Guernsey Post by Deloitte, Aurigny by BDO and the GHA by KPMG.

Moving to core Government, that is to say what is made-up by the social security funds and general taxation, if you like, the public services and benefits that are delivered from general taxation, and I think that is what most people would regard as key Government services. Unfortunately, 2024 was a challenging year on both the income and expenditure side of the equation. On income, of course, the most notable issue, which the States has previously been advised of, was the one-off impact of the adjustment to one bank's Income Tax, £23 million, resulting in Income Tax take overall falling by 6% in real terms and even actually falling in nominal terms as well. This was unprecedented.

To give more information on this, companies under the Zero-10 regimes, companies with income taxed at different rates, are required to submit tax computations with their tax return, which allocate the income and expenses to the relevant zero, 10% or 20% income stream. If a taxpayer subsequently determines that they made an error in their original submission, i.e. they misallocated

between zero and 10% income streams, they can submit an error or mistake claim for the previous six calendar years, and that is clearly what happened in this case.

The Revenue Service receives close to 70,000 tax returns each year and therefore does rely on customers accurately declaring and calculating indeed their income and expenses on which assessments and computations are based. Particularly of course where a professional tax adviser has been involved, which of course it would always be in the case of one of the larger financial services institutions. Although obviously queries will be raised by the Revenue Service where an income or expense allocation seems unusual.

What has been learnt and what has changed as a result of the problems discovered in 2024? There are now quarterly check-ins with the largest financial institutions due to the materiality of the tax they pay to understand if there are any operational changes in their business that will impact on the States' revenue forecasting. So a very practical and sensible method of keeping an eye on what our future revenue streams will be. This aims to ensure early dialogue of any changes that may impact on the allocation of income and expenses before those tax computations are submitted.

However, also of significance in light of this, the new Committee will also be reviewing the merits of taxing profits of financial services businesses, which is broadly what happens in Jersey, rather than individual profit streams.

There were also exceptional costs in the year, such as the requirement to provide contingency support for lifeline ferry services and retendering that service. The cost associated with those two issues were in excess of £5 million.

In addition, the lag in a falling inflation environment resulted in the majority of both pay and non-pay costs increasing by more than inflation in year. As has been mentioned, the impact of all of these and general performance has resulted in an operating deficit of £43.5 million across what we have termed core Government in 2024.

The financing costs in the year were £21.9 million and depreciation was £29.9 million. Financing costs are real costs. They are cash that needs to be paid out while depreciation is an accounting adjustment. But it is an important one as it is a proxy, if you like, for the costs of renewing over time our capital assets.

The valuation of the investments was shown to have increased by £130 million, which is obviously good news, but this must be treated with caution as it is only a snapshot in time on 31st December of each year of, in this case, an increase in value on that date over the prior year on the same date.

The investments are important to the ongoing financial health of Government but, much like the reserves, much of this has already been allocated. For example, £0.9 billion of the £1.7 billion of investments relates to social security funds, of course, principally underpinning the payment of the old-age pension. Therefore, the same proportion of the improvement or the increase in valuation relates to those funds. An assumption about the rate of growth in the value of investments in those social security funds is made in setting contribution rates. The actual growth, or indeed decline, of those investments in any given year is of little real relevance unless it significantly departs up or down over a period of time from the assumptions that were used in setting those contribution rates, in which case we will need to revisit the decisions made on those.

In summary really, madam, we need to remember that firstly these returns are largely unrealised, they are paper profits, if you like, and secondly, the returns, like the reserves, are already allocated by virtue of the decisions of the States.

Drawing attention to the positives from the Accounts, we saw real terms increases in social security contributions, which is obviously a reflection of the health of our economy and the number of people working in it, customs duties and TRP, in line with the decisions of the States of Deliberation through the Budget and the Social Security uprating report. There was also a significant increase in document duty receipts in the year, which obviously reflects the movements in property transactions.

Net Committee expenditure, while up on last year, was in line with the Budget, showing control over spending expectations.

On pay, we have seen more successful recruitment of full-time staff in health and social care, reducing the reliance on higher cost agency staff by the equivalent of 51 full-time equivalents, which is then also reflected in the higher staff numbers that I referred to earlier. There are still significant numbers of staff vacancies in some areas, particularly within health and social care and also education, sport and culture. That of course does limit our ability to provide the services which Committees are mandated to provide. That will remain a significant challenge for us as we seek to balance the provision of public services within the limited cost envelopes that we know we have.

I would like to take this opportunity, if I may, to thank all those who have worked to bring this significant milestone into reality, particularly, of course, the finance, property and communication teams within the States, and also the finance teams within the trading entities. This work will continue to ensure compliance is maintained as required and as, of course, the IPSAS standards change from year to year.

Madam, if I may, I ask Members to agree with the Policy & Resources Committee's approval of these Accounts.

Thank you.

The Deputy Bailiff: Thank you.

Before I open this up to debate, if Members wish to take off their jackets, because I recognise although not as hot as the weekend, it is still quite warm in here, so please do, to make it more comfortable.

Who wishes to speak first in debate? Deputy Sloan for his maiden speech.

Deputy Sloan: Thank you, madam.

Madam, firstly, let me state that I am not a deficit denier. I have always maintained that we have been running a structural deficit since Zero-10 was introduced. Madam, let me also state for the record, as you have noted, this is my first speech in this Chamber, and in that I believe the introduction of what, as an economist, I refer to as consumption taxes, that is GST, will be necessary to eradicate this deficit.

Let me also make the point first, as I regularly made during the general election, that it is my view that to eradicate the deficit will require expenditure restraints, frankly something that has not been displayed by the States over the past decade. We must, in the process, reform the Corporate Tax regime, an approach I labelled 'all of the above' during the campaign.

But, madam, that is not the matter at hand today. Today we are here to formally adopt the States' Accounts. That is all, and the matter of material interest is their new presentation, IPSAS. Madam, I am not an accountant, nor am I going to pretend to be an expert on international accounting standards. But on the presentation of the States' Accounts, I have maintained a consistent position over many years. That is, over the years I have not believed that the presentation of the Accounts has accorded with what I believe is our underlying fiscal position. That is a state of affairs that is not helpful to the Members of this Chamber nor to the wider public, and it is my view that remains unchanged with the presentation of the Accounts today.

Let me take a quick example. What are we to make of the following from page 15 of the Accounts, where it states that:

SOG Core recorded ... a net surplus of £34.3 million in 2024 versus a net surplus of £64.3 million in 2023.

One take is that according to these shiny new international standards compliant Accounts, it reads very much that we are running a healthy fiscal surplus. How does that statement reconcile with an underlying structural deficit? It is a rhetorical question, madam. The answer is it does not. It is not just nonsense. That is, the picture those numbers paint is nonsense.

Madam, over the years, I have also on many occasions specifically queried the methodology of treating gains and losses on assets held in reserves as a line in the cash flow statement, or what is effectively the cash flow statement. I know many agree with me, and it would seem that nowadays

there are some in Policy & Resources with empathy for my point. For how else is one to view the health warning given by Policy & Resources in its own press statement of 25th June – I appreciate, madam, this is previous Policy & Resources – when it reminds readers that while the investment re-evaluation line may be reported as income in the Accounts, to quote it says:

It is important to highlight that these are investment valuations and not returns.

As my colleague, Deputy St Pier, had just made. That is P&R's emphasis. The public purse did not receive income from these investments in 2024, but rather their value had increased as at 31st December 2024. Madam, as we have all been made well aware, capital expenditure is a critical component of Government spending. It is the source of our likely depletion of all our reserves in a matter of just a few years, according to some.

Yet in the accounts, it is like playing Where's Waldo? Each time I go to look at the Accounts I think I have found it, but I go back a few minutes later and I have lost it again.

Madam, economically, it is the structural underlying position that is the variable of interest. Despite IPSAS's net surplus position, we all know we have one. What we really need to know is what it is and why. The same Policy Council Statement of 25th June says the following:

There is currently an underlying, or what is called a structural, annual deficit of £56 million.

Yet no explanation of how this figure has been derived is provided. No reference to a structural deficit is made in the Accounts. I suspect, based on personal experience, that £56 million figure is wrong, both methodologically, i.e. in how it was calculated, and numerically, i.e. the result. But if it were true, our underlying fiscal deficit would represent just 1.5% of GDP, a relatively minor fiscal adjustment. Or to put it more simply, in nominal terms, it is less than 80% of the increase in expenditure last year. That is four-fifths in all money.

But again back to the Accounts. Madam, I am not going to challenge today the veracity of the Accounts against IPSAS. On that basis, I will obviously be voting to accept the Accounts. But the real issue is whether we are getting a clear financial picture from this manner of presentation.

Madam, let me quote again from Policy & Resources of 25th June. Granted, this is not this Policy & Resources, but the previous Policy & Resources, but let us assume the official line remains unchanged, or else the various Civil Service briefings of recent weeks to convince new Deputies of the way of the world will have been in vain. I will again quote directly, but not in full, but in true chronology from the P&R statement of 25th June:

As per the recent financial updates provided by the Policy & Resources Committee, the general revenue results for 2024 showed a revenue deficit of £9 million. The financial position of the States' core, which is made up of general reserve and Social Security funds, but does not ...

and that is emphasis added by Policy & Resources:

... include commercial entities, showed a deficit of £44 million in 2024. The 2024 States' Accounts are the first to be fully compliant with the IPSAS standards. Among other changes this year, group accounts are now prepared which consolidate all the entities under the control of the States of Guernsey, including the Guernsey Housing Association, Guernsey Electricity, Aurigny, Guernsey Post, and internal trading entities such as Ports and Guernsey Water. The transition has been a significant undertaking over several years [my emphasis] but Guernsey now stands as one of only 17 jurisdictions that fully adheres to IPSAS. While the financial importance of those entities is important, they do not contribute to the paying for public services provided by the States.

This is the Policy Council's words, not mine.

It is for that reason the Policy & Resources Committee believes the focus should be on the financial position of the States of Guernsey core.

Again, that is my emphasis, madam.

If the focus should be on the States of Guernsey core, as advised by Policy & Resources, something I do agree with, it really begs the question, why on earth did we go through the time and the expense – a significant undertaking over many years – as emphasised by P&R, of reporting to these standards in the first place? It begs the question of whether this exercise has been value for money.

Madam, Scrutiny Management has yet to determine its work programme. Some Members will be aware that we have to first fully constitute the Committee by appointing two non-States' Members, but I will hazard a guess the Public Accounts Committee, as we plan to rename it, will be visiting these issues in due course.

Madam, the States' Accounts need to present clearly and easily our underlying fiscal position to be of real use to Members and the public. That should be our lodestar. I remain to be convinced that those presented today meet that objective.

Madam, Members, thank you. (*Applause*)

The Deputy Bailiff: Deputy Laine for his maiden speech. No, sorry.

Deputy Laine: No, not maiden speech. Thank you, madam.

The Deputy Bailiff: Sorry, wrong call. You can interrupt as much as you like.

Deputy Laine: At the same debate in 2022, a little-known Deputy placed a successful amendment. Of course, that Deputy was Deputy Gavin St Pier. The amendment related to the States' investments. Sorry, I am just going to grab it now. That amendment was seconded by Deputy Heidi Soulsby, and it said:

To direct Policy & Resources Committee to consider the application of the task force on climate-related financial disclosures in respect of the States' investments for future accounting periods and to report back in due course.

Three years would seem like an appropriate time for reporting back on that.

But, as this is the only opportunity to speak – I do not get an opportunity to respond to any comments that Deputy St Pier makes – I would add, for anyone that thinks this is an ESG thing, and not everyone cares as much as they once did about that, it is a financial security, whether it is our Social Security Fund, our staff's pension schemes, we have heard some of the figures today. We are talking about a terrific amount of money.

The Task Force on Climate-Related Financial Disclosures (TCFD), which has now been consumed by the International Sustainability Standards Board (ISSB), but the TCFD is all about ensuring or getting the P&R to prove that they actively consider the policy risks, the legal risks, the technology risks, the market risks, the reputational risks, the acute risks that might impact the value of those investments in the future. Who would not want us to not get caught out because we had not considered that, for instance, a policy change in the US may impact the value of a business that we are heavily invested in, as an example. It really is not about how green our portfolio is. It is about how on the ball we are at understanding those risks.

But the TCFD also talks about opportunity with equal weight. So it forces the Committee or its investment advisers to also think about, well, what are the policy, legal, market, technology opportunities out there, which businesses are taking advantage of, that we might want to invest in? I did meet with Treasury probably around two years ago after this amendment was placed and they seemed very relaxed about it. Certainly, in the conversation that I had, 'Well, it does not say we have got to do it. It says we have got to consider it.' I left that meeting a little disappointed, so I would like some clarity on that.

One of the other things that they did say is that they would look for their investment advisers to produce that report. It is not something that you can outsource because it is about your level of

appetite and risk, not your investment adviser's. So it is something that has to be done by Treasury & Resources and dictated to our investment advisers.

Thank you.

305

The Deputy Bailiff: Deputy Gollop.

Deputy Gollop: Thank you; and thank you to Deputy Laine, who has brought his environmental expertise as well as his expertise in finance and business.

310 I also found Deputy Sloan's speech really interesting and salute much of it, especially the commitment at the end to re-establish a Public Accounts Committee. I think that will be very useful going forward.

315 Deputy Sloan, and to a degree Deputy Laine, referred to the previous Policy & Resources Committee, which I was a member of for 19 months. Yes, part of me is disappointed that I was not making the selection, but on the other hand it gives me a lot more freedom to speak out and less pressure. In a way, I do not envy the task of the new P&R Committee because you have inherited a complex situation.

320 I agree with the analysis that Deputy Sloan made about how odd it is the way we present things. Yes, we went from a net surplus of £34.3 million to £64.3 million and an operating deficit of £43.5 million. Now you could read from that that we were okay the previous year, but of course we were not and there were underlying issues. Maybe Deputy Sloan is right that we need, as a few other of the newer Deputies have stated, a combination of Corporate Tax re-figuring and restraint on expenditure, although I hate that word, but I will come back to that in a little while, and also, frankly, a Consumption Tax.

325 I think when you look at the operating deficit and the net surplus, you are just looking at a snapshot. It is quite confusing this year because, not only have we changed to IPSAS, but we have factored in the large capital of the trading boards, which hitherto were not there.

330 I am not quite as rosy as everything Deputy St Pier has said, but then he is an optimist by nature I think. For example, when you look at Income Tax on page 17, you see that the ETI element was 0.3% adverse in real terms. This was impacted by the increase in pensions relief granted as the phased rollout of secondary pensions initiated in mid-2024.

Now some of us were Cassandras saying that there were downsides to the secondary pensions to the economy. There are many upsides, but I always thought that it was a judgement call, and that proves the point, perhaps, and the tax from the banking sector fell.

335 But what is more interesting and is more pertinent to the kind of people we represent, the wider electorate, the Guernsey economy, is there is a little paragraph under Social Security contributions, which says self-employed contributions fell £700,000 to £18.7 million, representing in real terms, not just RPI, 7.4%. That suggests that income will not be declared, or there is a little bit of shrinkage in the traditional Guernsey mid to lower market business. That should worry us, because sometimes our economy looks booming in some areas, but a little bit recessionary in others. We have to be aware of that.

340 But when we come on to other areas, something that did concern me is I had the perhaps unenviable job for part of the last term in negotiating pay rates with people like Deputy Montague and others who are often very shrewd, and I was a little bit awkward in doing that because on the one hand, whatever way you do it, you lose popularity. But on the one hand, Policy & Resources started from quite a generous offer but then did not move, and obviously people in the public sector have different perspectives.

350 I do think my personal view, like possibly Deputy Matthews, is that some areas of our public sector, like some health workers, some public service pay workers, are perhaps, if not underpaid, they are not overpaid, whereas in other areas perhaps the situation is different. But what I find interesting, if you look at page 59 in the notes, you come up by pay cost by group, and you see medical staff – and I am summarising how they summarise it – from £94 million to £100 million.

Educational staff from £50 million to £53 million. Now I make that around 6% rises, which is more or less what one would expect from RPIX.

355 But established staff, which is the kind of people we really need for our policy and legislation and advice, and who work with us daily on our Committees, went up from £100 million to £112 million. So they went up 12% mysteriously. Then we look at the senior employees remuneration on page 60, and one sees that in the lowest band of the senior officers that are quoted, from £110,000 to £135,000, which is significantly more than any States' Member would get, 360 by the way. You see an increase from 127 to 157. That is about a 25% increase. Going up the scale, you see other increases, £195,000 to £220,000, from 15 to 20. So there you have a 33% increase, and at one point a 66% increase for some rather unusual higher value positions.

Look at the overall picture, rather than just picking them out randomly. You go from 261 employees in the senior category to 317. I make that nearly a 30% increase. If Deputy Sloan is 365 making the point that we need to restrain expenditure, that is clearly an area where we are probably not.

One area of Policy & Resources I did find hard to cope with was we spent a lot of time, rightly, on external relations, taxation, IT, project organisation, but we did not really have the right structure to look at employees' pay and conditions. We heard noises of – and Deputy Helyar, of course he 370 was very active in an earlier iteration of the Committee, and Deputy Mahoney was a member at one point. But there did seem to be a view that rates of pay and increments and packages was entirely operational. If you go along with that position, you will not find a political desire to restrain expenditure, and that has to be reconsidered.

I am getting boring here, but I felt in some ways the Civil Service Board, Public Sector 375 Remuneration Committee, Treasurer and Resources era was better in that it allowed a whole committee of politicians to do more scrutiny. At the moment, the structure we have, with little me out on a limb, I do not know who it will be on this Committee, was not ideal to ask the really deep questions and big questions. Because even if every one of those salaries is justified by market competition or by need or by expertise, we cannot go on like that every year, I think we would all 380 agree with that, unless we really want really high taxation. So that is something to look at.

We also have States' Members' pay. It is interesting, everybody takes it, although there was one Member in the last States who took a reduced quantum, and all praise to them. But those are the kind of issues, and I will finish. We increased our personnel by a relatively small amount, mostly health-related, which is understandable.

385 But something else I struggled to understand on the Committee, that I am sure Deputy Helyar would know a lot more than me, and other Members, is the way Ports increased its staff. Off the top of my head, it went from 225 to 286. The reason given in the book and elsewhere was insourcing. If that is a way of reducing costs, that has to be commended, the same with agency staff being replaced in house. The arguments were given, cruise ship people and security personnel and so on, 390 and I accept that.

But I do not know what the late Baroness Thatcher would have said, or many other economists and politicians, because the general view is that it is usually cheaper to outsource than insource. Because if you insource you create obviously more management and administration issues, you may create more entitlement to pensions and conditions, and in any case you need a larger Human 395 Resources Team. So maybe insourcing is the way to go, but it does seem to contradict what everyone else has been doing since the beginning of time.

So I want more explanation, and there is a general feeling in the community, for example, that Guernsey Ports has been overstaffed. That may be incorrect, but the fact that it increased significantly has to be one of the tasks for the States' Trading Board, to see whether that is the way 400 forward.

My final comment is, very interesting to hear from Deputy St Pier, not for the first time, about maybe we should look at a different way of taxation and follow the financial businesses more, as Jersey does, rather than taxing individual profit streams. I do not know enough about that to make

an informed judgement, but I just hope that it would enhance our competitive position rather than reduce it.

I do support the Accounts, but we cannot be like an ostrich and put our head in the sands and not look at the real need to raise expenditure, improve public services, but somehow reduce at least the rate of increase of both staff and the costs of staff.

The Deputy Bailiff: Deputy Inder.

Deputy Inder: Thank you, ma'am.

Following on a little bit from Deputy Gollop, Members, 20% of Guernsey's workforce is now employed by the States of Guernsey, 6,600 members of staff. By comparison, admittedly only a quick look at Google, by comparison only 14% of Jersey's workforce is employed by the States of Jersey; 14%, we are at 20%.

Deputy St Pier made mention of the health vacancies and that, almost counterintuitively, employing more FTEs is better than employing expensive agency staff, and I get that. However, the difference between Guernsey's 20% employed across the public sector and the 14% in Jersey is not 6%, it is 35%. There is a 35% difference in employed staff between Guernsey and Jersey, and that is significant. The UK's percentage of people working for the government is 18.1% across the whole of the UK. Jersey's is 14%. The UK is 18%. Guernsey is now 20%. This will continue to rise, almost certainly, and it will need to be addressed at some point.

I just wanted to make that point that this will carry on until this has been dealt with in some way, shape, or form, and it is the job of Policy & Resources, who have now recognised it, to do that over the next four years. We are now running at 20% of our workforce is now employed by the States, and that is significant and that is a concern.

Thank you.

The Deputy Bailiff: Deputy Hansmann Rouxel.

Deputy Hansmann Rouxel: Thank you, madam.

As a newly appointed member of the Committee for Education, Sport & Culture, I rise not to critique past decisions, but to better understand the cost pressures that are now part of the mandate I serve. The 2024 Accounts show that ESC remained within its authorised budget, a commendable achievement, but within that there are some significant increases that warrant closer attention.

Educational staff pay costs rose nearly £3.8 million, a 7.6% increase on the previous year. That is notably higher than the 5.8% average pay award reported to the Treasurer. Understanding why ESC's increase is above the norm for other sectors is important, not to lay blame, but to ensure transparency and to test whether we are allocating resources in the most effective way.

We also saw a near £1 million rise in rent allowances across the States. While this is not broken down by Committee in the Accounts, ESC is one of the largest employing Committees, second only to HSC. So it is reasonable to assume that a significant portion of that increase relates to the Education. But, again, without visibility of the detail, it is hard to judge whether this is a short-term pressure or part of a long-term trend.

There is also the continued high cost of running St Anne's School in Alderney of £1.794 million in 2024. These are not marginal figures and yet I was not part of the Committee last year. I do not have direct oversight of what drove them. But understanding these increases, where these increases are coming from, is essential if we are to demonstrate to the public that we are doing everything possible to use their money wisely before we open any conversation about raising taxes.

It is therefore right that each of us, as we step into our new Committee roles, take the time to understand where the financial pressures lie. More than that, to ask not just what we can trim, but where there are ways to do things differently. Because we also must recognise that the decisions we make in one Committee can directly affect the ability of the other Committee to deliver its mandate and ultimately to serve the people who elected us.

Already, I have seen how the budget pressures placed on Committees are creating an atmosphere of strong defensiveness around individual budgets. That is understandable given the financial pressure we are under. But we must avoid cutting something now and simply passing the problem on to the future or to another Committee later. The real savings we need will come from working together to solve the big issues. We are not going to find meaningful efficiencies by fiercely guarding Committee silos. The efficiencies are there to be had, but they exist in the whole organisation, not isolated parts.

We have all spoken about the importance of working together throughout the election period. We are now in the hot seat. The Accounts give us a comprehensive snapshot, but it is in the Committee where we see the detail. Let us not lose sight of the bigger picture when we start getting down to the nitty gritty.

The Deputy Bailiff: Does anybody else wish to speak?

Yes, Deputy Parkinson.

Deputy Parkinson: Thank you, ma'am.

I very much welcome these Accounts and I think that they do bring more clarity to the state of public finances. I was very proud to have led the effort in 2012 to get the States to adopt IPSAS accounting. I think we need to all support these Accounts. In particular, I do not like it when people try to undermine the veracity of the Accounts in any way because public confidence in these Accounts is very important. I will come on to some comments, particularly on investment income later.

One or two other speeches have brought me to my feet. These Accounts consolidate the entities owned by the States of Guernsey, so Guernsey Electricity, Guernsey Post, Aurigny are consolidated, as is the Guernsey Housing Association.

To Deputy Inder's point, comparison of the numbers of people employed by the States of Guernsey in these terms with, say, the number of people employed by the UK government as a percentage of the UK population is really not valid because, in the UK, of course, the water companies, the electricity companies, the airlines are all completely independent entities which would not be consolidated into the UK government accounts.

The boundaries, including all of the trading entities, etc., do add up to 6,600 people, but the Government owns a lot of businesses in Guernsey, which the equivalents would not be owned by the Governments of other countries.

Returning to my comment on the credibility of the Accounts and the need for us to promote confidence in these Accounts, the comments that have been made about investment income, investment returns not being real in some sense because they are unrealised, I do not think is very helpful. The reality is we have £1.8 billion of financial investments and all but £24 million of those are liquid financial investments. The £24 million are investments in private companies but the £1.8 billion are investments which could be sold and the money could be in our pockets in three days if we wanted it.

So the fact that these gains have not been realised is really neither here nor there. Any business, certainly any business with large-scale investments, prepares accounts on a mark-to-market basis. In other words, at the end of the accounting period, they value the financial investments and the movement up or down is reflected in the results of that business. Yes, of course, many of the gains are unrealised, but many of the losses, if you like, in terms of depreciation, etc., are unrealised. What the accounts try and do is take a snapshot in time as to what the net value of the business's assets and liabilities are.

Within the Superannuation Fund, there is a huge liability number, which is the amounts that are due to people who are entitled to benefits, drawing pensions, and so on. That number moves up and down according to actuarial valuations, which are very largely based on interest rates. So if the interest rates move, and in these Accounts they moved in our favour, the liabilities will decrease. If

the interest rates move in the other direction, the liabilities will increase. But the fact that they are not realised is neither here nor there. They are still real liabilities.

510 When we come to look at the investments, the fact is we have £1.8 billion of financial investments and they, on average, will produce a return. You could debate whether the average return will be 5% or 7% or whatever number, but you do not expect to put £1.8 billion into the markets and get nothing. So the notion that somehow we should simply disregard this income because it is unrealised, I completely reject.

515 The whole process of the Accounts is that they are a snapshot in time. The liabilities and assets will be valued on a particular day and these Accounts show the net position after that valuation has taken place. The fact that the investments were worth more than they were the previous year is just a fact of the history. Of course, they will be worth something different today than they were on 31st December 2024. But that does not mean we just disregard the fact that we had a ton of investment income in 2024.

520 Accepting that veracity, the reality is the Accounts show the States in very good shape. I think our net asset position at the end of 2024 was about £350 million ahead of our net asset position at the end of 2023. That is partly a reflection of investment returns during the year, but it is also a reflection of the fact that our liabilities within the Superannuation Fund went down. The reality is, at the end of the year, the States of Guernsey were £350 million, or thereabouts, better off than
525 they were a year previously.

So, Guernsey is in robust health. Compared with other governments, we are in a very financially strong position. We are very solvent. We have a good credit rating and we can certainly pay our bills as they fall due. So let us not talk ourselves down. Guernsey is in good shape.

530 Yes, obviously, we need to have a big conversation about fiscal policies, and that will happen over the next, hopefully, nine months or so. But, at the end of the day, we start from a very good position, and so let us all celebrate that and wish the Island well for the next 12 months.

Thank you.

The Deputy Bailiff: Deputy Helyar.

535 **Deputy Helyar:** As I say, *en revanche*. On the other hand, I was interested in some of the comments that Deputy Sloan made. It does irritate me – ‘irritate’ is probably the right word – that we will use different measures of loss according to how the presiding Committee of the day wants to present our performance. It would be great if we had a specific measure that we were using, in
540 other words before or after certain measures are taken into account. But that is perhaps something which Deputy Sloan’s Committee could look into.

One of the things I am worried about here, we just heard a good news message and, largely speaking, from a performance perspective, that is true. We have also heard from Deputy St Pier that the issue of depreciation in our Accounts, which never existed before we had consolidated accounts
545 when we moved towards IPSAS, we never had any measure of what needs to be spent that is not being spent. That is what depreciation is. It is an accounting measure. But there is a cost. I am responsible now for all of our trading assets and there is a cost to not being able to invest in our infrastructure. That cost is that our resilience is reducing every day. Everything is getting a bit more rusty, a bit more worn, a bit more tired. There is scaffolding on the Airport, there is scaffolding down
550 at the slaughterhouse, that is going to be there for a long time. Perhaps permanently in some cases, because we cannot afford to fix the structures that lie underneath it. There is a cost which we cannot afford to pay for. That cost is not recorded in these Accounts.

It is a massive bill; a massive bill. We used to be able to pay for it because we made surpluses every year and we no longer do that. We are making a loss. Even if it is £1 of deficit, that means
555 several tens of millions that should be invested in our infrastructure every year, year in, year out, to keep it running properly, which is not being invested. Every year we do not do that, it accumulates, and the damage that it is causing to our infrastructure underlying that is real. It is not cosmetic, it is real.

At any point, some vital part of that infrastructure could give way, resulting in an even larger bill than the one we are looking at, at the moment. So while this is a great performance, there is a danger of looking at core and saying, 'We need to fix that' and not remembering that the trading entities, if they are thinly capitalised as they are at the moment, and they have massive spending plans for infrastructure, which they cannot afford, they are massive. They come with nine noughts on the end, not six. If we cannot afford to do those things, then the Island will stop running. We will lose our connectivity, things will start to break, which we cannot afford to fix.

So I would just caution Members, it is a good result overall and we are in a healthy financial position, but we do need to put ourselves back into a surplus position, or we risk things going seriously wrong.

Thank you.

The Deputy Bailiff: Does anybody else wish to speak in debate on the Accounts? It does not appear that anybody else does.

So, Deputy St Pier, will you reply as Vice-President of Policy & Resources, please?

Deputy St Pier: Thank you, madam; and thank you to the Members who have contributed to the debate.

I will seek to address some of the comments which have arisen in debate. Deputy Parkinson has responded to many of the concerns and observations expressed by Deputy Sloan in his speech. But Deputy Sloan's key point clearly is that the adoption of IPSAS is not a panacea, and in particular it should not distract from us seeking to ensure that we do understand our long-term structural financing position. I would certainly agree with that sentiment.

But we have to acknowledge that accounts, to have any value, do need to be prepared in accordance with some form of accounting standards in order that you have consistency from one year to the next, and also to enable comparison to comparable jurisdictions or organisations. But that does produce some challenges, and Members who have returned after the election will recall that I have spoken many times in this place about the frustrations of observing in accounts the adoption of accounting standards which produce a bizarre and, in my view, quite perverse interpretation of the state of our Pension Funds, particularly the public sector pension scheme, which does not reflect the actuarial performance. In other words, what is happening in terms of payments to pensioners and the mortality rates and so on.

In other words, the actuarial valuation which takes place every three years gives a much more realistic position of the performance of the Pension Fund than does the adjustments that are made in the annual accounts as a result of the adoption of accounting standards, which is really about seeking to ensure that one set of accounts can be compared to a similar jurisdiction or a similar organisation. In this case, it does not really matter how our Pension Fund is performing against a similar jurisdiction because it is ultimately our liability that we need to meet.

So that is an example of one of the challenges that we have and will always exist in preparing any set of accounts and therefore needing to truly drill down and understand what it is that we are looking at.

With regard to Deputy Laine's question on the TCFD, my recollection, madam, is that that amendment came about as a result of a meeting that I had with Deputy Laine. So I think that is an example of being hoisted by your own petard when lo and behold to find him in this place challenging me on what we are doing about it.

I am advised that the current position is that, as he notes following that amendment, which of course was supported by Policy & Resources through the then Vice-President in seconding the amendment, Deputy Heidi Soulsby, they were asked to consider the application of the task force on climate-related financial disclosures, TCFD, in respect of the States' investment funds. The ESG sections of the States' Investment Board Annual Report, which of course are appended in the Accounts which are before the Assembly today, comply with the requirements of the TCFD in respect of the investment portfolios.

The 2024 Annual Report provides an annual ESG scorecard using data, using the MSCI ESG analytics, and so there is some monitoring there of climate-related risks and strategies. I suspect that is not the full answer that Deputy Laine would like. Of course, it does provide an opportunity for me to advertise and sell the opportunity to meet with the States' Investment Board today at 12.45 at the OGH, an opportunity for them to present their 2024 report. On behalf of the Committee, we note that it would have been preferable if that could have been undertaken before the Accounts debate, but with the election and so on that did not prove possible.

Deputy Gollop's observation in relation to the fall in ETI as a result of the adoption of the secondary pension scheme, of course that was entirely as expected and predicted. At the time that the secondary pension scheme was adopted we were anticipating a decline of £0.5 million in terms of additional tax deductions for payments going into the secondary scheme and the forecast at that time was that will rise to £5 million when the scheme is fully adopted. So, as Deputy Gollop observed, it is the other side of the coin, but it was part of a fully-informed decision that the States made at the time that the value of secondary pensions was significantly important that it justified the short-term pain of the reduction in public finances through reduced revenue receipts.

The other observation, just to return to Deputy Sloan's comments about the value for money of adopting these accounting standards and in particular the consolidation of entities into the Accounts, which he is questioning the value of. It is worth observing that of course the adoption of IPSAS is broader than simply the consolidation and, as Deputy Helyar pointed out, the inclusion for example of depreciation, moving from a cash basis to an accruals basis, which is of course the absolute fundamental basis of preparing any accounts, to think that it has taken us to get into the 21st century before we account for things on an accruals basis are far more significant parts of the adoption of IPSAS. I am glad Deputy Sloan is so pleased with that particular issue.

Deputy Gollop also observed the number of those who had moved into the higher cost employee category. Of course this does reflect again the entire group, so the fact that that number has jumped so significantly reflects the fact that the consolidation has brought more people into that particular table rather than it simply reflecting the growth within the core part of the Government. There is no inflation adjustment for those bands, this is an issue which happens, until those bands are reflat every few years, you do get the drag of people being pulled over the line and that can slightly distort.

The observation which is made by Deputy Gollop, and indeed is normally made by at least one Member in each debate on the States' Accounts about the number of higher paid employees, it does not diminish the point but it is worth understanding how we have got there.

Deputy Inder has also made the observation about his Google comparison with Jersey. Again, I would observe some caution with that, again having done some research while the debate has been underway. Although Jersey too have adopted IPSAS for their 2024 Accounts and a consolidation on the same basis in their Accounts that have recently been published, their 9,710 employees that are reported in those Accounts do not, for example, include the 378 that are employed by Jersey Electricity. So we are not necessarily comparing apples with apples between the two. So to truly understand the comparison which Deputy Inder is seeking to make, some further work would be required.

I think the more interesting observation is the one made by the independent Fiscal Policy Panel that presented to States' Members last week, and before the election the same presentation was given to the outgoing States. Slide 8, which was distributed to States' Members at the back end of last week, very clearly identifies the point that the panel have made is that our Government, as a proportion of GDP, remains one of the lowest in the world, certainly of the OECD nations, and it is of course lower than Jersey, and that remains an independently-proven fact, which again does not diminish some of the challenges that we have.

Deputy Hansmann Rouxel, it is delightful to see her back and her analysis back, which is going to be proved so valuable over the next four years in this place. I absolutely welcome her intervention that it is the responsibility of all of us to understand within the Committees that we serve on where the financial pressures really do lie and to be asking where can things be done differently, she asked,

and she said that is the challenge which we should be presenting in Committees. I hope she will be reassured that the new Policy & Resources Committee will, as part of the Budget preparations, be asking Committees to absolutely consider exactly that question, because of course it is far better that the Committees identify these challenges and opportunities themselves.

The final observation I would make, just returning to Deputy Parkinson's observations, and again welcome his intervention and his experience on this issue having commenced the journey, in fact Deputy Parkinson's presentation of this issue in 2012 was the first and probably the only States' debate I sat through in the gallery before I too was elected in 2012 and took his place as the Treasury & Resources Minister. I do not quite know what Deputy Parkinson will make of this, but listening to that debate very nearly put me off standing at all as a Member of the States, but nonetheless he has been on this journey for longer than any of us.

But the observation in relation to the Pension Fund is a good one. Our Pension Fund, to be 100% funded is an extraordinarily well-funded position. It is pretty well unique. That is of course as a result of not only the prudent management and investment of the funds over many years by successive Committees and the oversight of that, but also as a result of some of the changes in the actuarial valuations with changes in interest rates and so on. But we absolutely need to be, while those funds are not available for us to be running the Government day-to-day, we should be considering to what extent those funds can be invested to support some of the infrastructure projects that have a return as good in our own economy as they would if invested outside. Those are the kind of challenges which we do need to be injecting into the debate about the sustainability of our public finances in the future.

We should not regard them as being in some way isolated and beyond reach if they are capable of supporting our longer-term objectives, while of course continuing to deliver the needs and purpose of the Pension Fund in delivering pensions to future generations of public sector pension workers. Those two objectives are not incompatible and we need to find a way to open up and have a sensible debate about those issues.

That is going off at a slight tangent but I am glad Deputy Parkinson gave me the opportunity to make that point and, with that, madam, I do encourage Members to support the Proposition.

The Deputy Bailiff: Thank you.

Members, you should have before you on your screens what is your first vote on the SEV. You will see that it starts with the Proposition, 'That the States are asked to decide whether they are of the opinion to agree with the P&R Committee's approval of the States of Guernsey Group Consolidated Financial Statements for the year ending 31st December 2024.' That should be on your screen now.

I am now going to ask the States' Greffier to open the voting.

There was a recorded vote.

Carried – Pour 39, Contre 0, Ne vote pas 1, Did not vote 0, Absent 0

Pour	Contre	Ne vote pas	Did not vote	Absent
Blin, Chris	None	Goy, David	None	None
Burford, Yvonne				
Bury, Tina				
Cameron, Andy				
Camp, Haley				
Collins, Garry				
Curgenvin, Rob				
De Sausmarez, Lindsay				
Dorrity, David				
Falla, Steve				
Gabriel, Adrian				
Gollop, John				
Hansmann Rouxel, Sarah				

Helyar, Mark
Hill, Edward
Humphreys, Rhona
Inder, Neil
Kay-Mouat, Bruno
Kazantseva-Miller, Sasha
Laine, Marc
Le Tocq, Jonathan
Leadbeater, Marc
Malik, Munazza
Matthews, Aidan
McKenna, Liam
Montague, Paul
Niles, Andrew
Oswald, George
Ozanne, Jayne
Parkinson, Charles
Rochester, Sally
Rylatt, Tom
Sloan, Andy
Snowdon, Alexander
St Pier, Gavin
Strachan, Jennifer
Van Katwyk, Lee
Vermeulen, Simon
Williams, Steve

705 **The Deputy Bailiff:** There voted pour 39, and there was 1 abstention. I therefore declare the Proposition has been passed.

In terms of today's work, that is the end of this meeting and I will ask the States' Greffier to close the meeting. But I remind you again that immediately following this we do have the CPA AGM.

The Assembly adjourned at 10.51 a.m.

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