



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Tuesday, 4th November 2025

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H. Pullum (H.M. Comptroller)

People's Deputies

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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

Deputy L. T. Goy (*relevé à 10h 01*) ; Deputy J. P. Le Tocq

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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 States' Greffier

EVOCATION

CONVOCATION

The States' Greffier: Billet d'État XXVIII 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, 4th November, 2025, at 9.30 a.m., to consider the items listed in this Billet d'État which have been submitted for debate.

Billet d'État XXVIII

POLICY & RESOURCES COMMITTEE

1. The States of Guernsey Annual Budget for 2026 – Debate commenced

Article 1.

The States are asked to decide whether, after consideration of the Policy Letter entitled 'States of Guernsey Budget, 2026', they are of the opinion:

- 1. To agree the amount of tax relief in respect of mortgage interest paid on a principal private residence as £2,500 for 2026, £1,500 in 2027, £750 in 2028 and zero for 2029 and future years.*
- 2. To endorse the intention of the Policy & Resources Committee to increase the Standard Charge specified in Section 5B(2) of the Income Tax (Guernsey) Law, 1975, as amended, from £40,000 to £50,000 in respect of the Year of Charge 2026 and subsequent years, by regulation under that subsection.*
- 3. To agree that the annual tax-free lump sum limit for a pension scheme remains at £203,000 for 2026 and future years.*
- 4. To amend the definition of a distribution in Section 62AA of the Income Tax (Guernsey) Law, 1975, as amended, so that it would also catch any transfer of the assets of the company for the repayment of, or otherwise, in respect of, an advance of money to the company by a Member of*

the company or by a person connected with a Member (whether or not the advance is secured), with an exclusion in respect of the repayment of commercial loans to trading companies.

5. To endorse the intention of the Policy & Resources Committee to continue previous workstreams to better understand the scale of accumulated untaxed, undistributed profits in Guernsey resident companies, to include consideration of incentivising earlier taxable distributions and any other mechanisms to increase revenues from this source of profits.

6. To agree the taxation point of a benefit in kind in relation to share award and share option schemes made from 1 January 2026 changes to the date of vesting/exercise, rather than date of grant, (with the benefit value to remain the amount calculated at point of grant) with a maximum period of seven years to be introduced (if the vesting/exercise period is longer than seven years the tax event occurs at the seven year point). To introduce exceptions into legislation to tax the benefit on death, retirement, leaving the employer or leaving the island, where the award/options are not forfeited on the occurrence of that event.

7. To agree that an excess repairs allowance may be given to a landlord, from 2026, for the cost of repairing, maintaining, insuring and managing a let property based on the expenses incurred in the actual calendar year, rather than it being based on the expenditure incurred in the previous five years (this allowance not to create a loss), with any transitional provisions as deemed necessary when the legislation is drafted.

8. To approve the draft Ordinance entitled 'The Excise Duties (Budget) Ordinance, 2025' and to direct that the same shall have effect as an Ordinance of the States.

9. To endorse a review of the duty-free allowances for tobacco products, with proposals to be made in the 2027 Budget Report.

10. To agree that a duty rate of £2.20 per 10ml of vaping liquid is introduced during 2026.

11. To approve the draft Ordinance entitled 'The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2025' and to direct that the same shall have effect as an Ordinance of the States.

12. To approve the draft Ordinance entitled 'The Document Duty (Rates) (Amendment) Ordinance, 2025' and to direct that the same shall have effect as an Ordinance of the States.

13. To approve the draft Ordinance entitled 'The Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2025' and to direct that the same shall have effect as an Ordinance of the States.

14. To approve the draft Ordinance entitled 'The Motor Taxation (First Registration Duty) (Guernsey) Ordinance, 2025' and to direct that the same shall have effect as an Ordinance of the States.

15. To direct the Committee for the Environment & Infrastructure in consultation with the Policy & Resources Committee to implement an additional First Registration Duty charge for private high value vehicles during 2026.

16. To agree that the project for site clearance at Leale's Yard is added as a delivery project in the current Major Projects Portfolio.

17. To reduce the Routine Capital allocation for Information Technology for 2025-2028 by £2.5m to £15.5m.

18. To approve provision within the 2026 Budget for a transfer from the General Reserve to Guernsey Ports to fund its 2026 cash requirements estimated at £2.2m.

19. To approve provision within the 2026 Budget for a transfer from the General Reserve to Guernsey Dairy to fund its 2026 cash requirements estimated at £1.4m.

20. To approve Committee Net Expenditure for 2026 totalling £678m as set out in the table in paragraph 6.21 and the Committee Net Expenditure Budgets as set out in Appendix V.

21. To approve the following Budgets for the year 2026:

Guernsey Ports

Guernsey Water

Guernsey Waste

States Works

Guernsey Dairy

Superannuation Fund Administration

Committee for Employment & Social Security – Contributory Funds.

22. That, 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 2026 by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate, shall be the allowances specified in the First Schedule to this proposition;

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;

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

'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.

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

The States' Greffier: Article 1, the Policy & Resources Committee, the States of Guernsey Annual Budget for 2026?

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The Bailiff: Good morning, Members of the States.

I will invite the Vice-President of the Policy & Resources Committee, Deputy St Pier, to open the debate.

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Deputy St Pier: Thank you, sir.

I am honoured to be presenting the States of Guernsey's Annual Budget for 2026. This, of course, is the first Budget of this new term, but not my first. In fact, this is the ninth time I have stood to present the Budget to the Assembly.

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Much has changed since I presented my first Budget in 2012, but much remains the same. The letter covering the 2013 Budget began by saying that;

The elimination of the budget deficit as soon as practicable is one of the key objectives of the Treasury & Resources Department.

That Budget included an estimate of the 2012 deficit of £31 million, which was planned to reduce significantly to £17 million as a result of some of the measures in that Budget.

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Fast forward to 2025 and the deficit in public finances persists. Addressing that deficit during this term is of course vital and it must be an absolute priority for all Members of this Assembly. But this Budget is not the place to do that. The States operates within the current fiscal framework which has, at its core, the requirement to deliver long-term permanent balance in public finances. That means generating an ongoing revenue surplus sufficient to afford necessary capital and transformation projects, cover the agreed strategic policies of Government and ensure reserves are maintained and appropriately restored to an appropriate level. With a structural deficit in general revenue of £60 million and a further £17 million in the Social Security Funds, we are a long way from reaching that balance.

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The Policy & Resources Committee has already set out its roadmap for addressing that deficit, which, by way of reminder, is as follows. The States made a decision this time last year to implement what has become known as the GST Plus package. That is the package of tax reforms which includes reform of the Social Security Contribution System, giving everyone an allowance at the same level

as Income Tax; increasing the personal Income Tax allowance, introducing a new lower band of Income Tax, and the introduction of a consumption tax on goods and services.

40 Given the time it will take to prepare this package for implementation, we have to press ahead with planning ahead of this for the States to make a decision in quarter two next year as to the favoured tax package.

 Alongside this work, the Committee has established a Tax Review Subcommittee, chaired by my colleague on Policy & Resources, Deputy Parkinson. That is to examine the scope for changes to
45 Corporate Tax and comparing any options to the GST Plus package. That Sub-Committee has agreed that:

The purpose of the Corporate Tax regime is to ensure Guernsey remains competitive, aligned with international standards and maintains tax neutrality, recognising that economic growth will contribute to the revenues needed to support sustainable public finances.

 The Sub-Committee is due to report back to the Policy & Resources Committee in the first
50 quarter of next year with proposals for tax reform which may cover Corporate Tax changes, implementation of GST Plus, or a mixture of both. The States will then be asked to make their decision on tax reform in the second quarter of 2026.

 Once decisions around tax reform have been taken, the Policy & Resources Committee will return to the States with a Funding and Investment Plan; the States' Medium Term Financial Plan.
55 This plan, of course, sets out the financial planning framework within which the States will operate, including all income and expenditure, capital investment and financial arrangements. Until such time as this States are able to approve a new Funding and Investment Plan, the Policy & Resources Committee is operating within the framework set by the last Funding and Investment Plan agreed by the last States in 2023.

60 So I hope that provides Members with a clear outline of the context within which this Budget is set, and that is why this Budget might be described as a holding position, as vanilla, or even by some as dull. It is a one-year financial plan focused on the immediate priorities of fiscal decisions for 2026 alone.

 In compiling this Budget, the Committee has sought to balance the need to raise further
65 revenues and the consequential impact on the community, recognising that substantial increases in taxes and duties have already been implemented in recent years. For example, since I presented my first Budget in real terms, commercial tax on real property (TRP) rates has increased over 27%. Average domestic TRP has increased by over 61%, and considerably more for those with larger properties. and fuel duty has gone up by 28%. Even so, we need to continue raising more revenue
70 to ensure that our public services can still be delivered.

 But we have to be realistic. We really cannot increase these taxes and duties much more. We are pretty much at the end of the road within what our current tax structures can deliver in terms of revenue, which is why a new model must be approved in one form or another next year.

75 The cost pressures on those public services are increasing year on year. This is both as a result of the changing population driving additional cost, particularly in health and social care, but also changes to compliance and regulation of services, driving additional cost.

 The new Committees were faced with a particular challenge in developing their budget proposals this year. There was only six weeks between Committees forming and the requirement for budgets to be submitted. This necessitated an accelerated induction and familiarisation of
80 financial matters so that budgets could be submitted in confidence.

 The requests for additional budget were across the board, and of course many had merit. However, the requests were simply not affordable. Policy & Resources had to make some very difficult decisions in recommending the cash limits in this Budget. The majority of the additional funding recommendations is either already in the baseline, contractually due, or necessary as a
85 result of regulatory requirements. Members will be aware that Forward Guernsey's manifesto had a policy of reducing baseline expenditure by 1% a year. The £4 million savings target in this Budget equates to about 0.6%.

However, when considering the 1% proposal, the Committee reflected on past top-down savings targets and their success or otherwise. The Committee felt that history suggests this approach just does not work and leads to salami-slicing budgets and short-term, unsustainable changes with costs often enhanced, returning in later years.

So the £4 million included in this Budget is about changing culture, with a new bottom-up approach to delivering savings in the public service. This is very much owned and welcomed by the head of the Public Service and his leadership team.

In putting together this speech, I would have liked to have looked back to the growth in public sector expenditure since my first Budget. However, the changes to the Machinery of Government in 2016 makes such comparisons difficult, and so instead I have looked back 10 years. Over that period, Members may be disappointed to hear that there has been a real-terms growth in the cost of public services averaging about 1% a year.

Several Committees' cash limits such as Education, Sport & Culture, E&I, the Development & Planning Authority and Social Security have actually reduced in real terms over that period. However, this is more than offset by increases in other areas, in particular Health & Social Care. The growth in that Committee's Budget has averaged 2% a year in real terms, which equates to about £4 million extra a year in today's money. That increase, of course, had been long predicted, and is largely as a result of us all living longer and consuming more health and care services as a result.

However, this States must remain committed to having an absolute focus on the future model of health and care services and making them sustainable in the long term. For this reason, it is very likely that the Policy & Resources Committee will be recommending that this ought to be one of the top priorities for this term.

While we remain committed to driving improvement and efficiency in public services and seeking to contain costs, we must be realistic. Our efforts may flatten the growth in public expenditure, but they will not reduce it. That will only be achieved by switching off services.

Forward Guernsey's manifesto also contained policy commitments to create tax-efficient savings products to help young first-time buyers and renters. Unfortunately, time this year did not allow all the necessary work to be undertaken to implement these, but I am pleased to advise that the Committee has agreed to look in depth at these issues once this Budget has concluded. I should advise that in relation to Proposition 7, the Guernsey Private Residential Landlords Association who advised that while they are supportive of the change in methodology for allowing tax deductions in respect of repairs, they would have preferred to defer the change until the outcome of further work and to consider whether excess expenditure can be carried forward for use in future years' tax deductions.

The Committee have advised that they are committed to consulting in 2026 in order that we are in a position to recommend any further tweaks this time next year, and that is set out in the Budget Report, and GPRLA have confirmed that they understand this approach.

Before I close, sir, I should just like to recognise the huge amount of work that goes into Budget preparation by numerous Public Service teams and Committees. However, particular thanks should of course go to the Treasury Team, especially the Head of Strategic Finance for putting this Budget Report together.

There is no doubt that it gives me absolutely no pleasure to be asking the Assembly to approve a Budget for 2026 with a deficit of £48 million. However, we must face the fact that we are running a structural deficit which will continue for several years to come, no matter what decisions we take on our fiscal strategy next year.

The Policy & Resources Committee has recommended raising revenue proportionately where it is feasible and appropriate to do so, and recognising, as I said earlier, the limitations on our ability to do so. At the same time, we have pushed down on Committees' demands for more public sector expenditure, and have included a modest savings target, albeit recognising that there is much more to do in 2026 in redesigning our Budget processes.

At present, although the Budget process is supposed to be built from the bottom up, it has been recognised that we are overly-focused on new or additional services to be added in the year. We

must review current services and expenditure. Without engaging in another expensive, large, consultant-led process, we must redesign our Budget processes to ensure that we are systematically reviewing existing business as usual expenditure.

Given the timing of the election, the inherited deficit, the time required to develop our Tax Strategy, and the pressures on public services, this is a deliverable and realistic Budget and I commend it to the States.

Thank you, sir.

The Bailiff: Members of the States, as you will have spotted, there are five amendments that have been laid to the Propositions in the Annual Budget for 2026. I am going to take them in the following order. We will do Amendment 1 first, then I am going to move to Amendment 4, then Amendment 3, then Amendment 5 and then Amendment 2. That is just so that you are forewarned as to the order in which I am going to take them, and I will invite the proposer of Amendment 1, Deputy Sloan, if he wishes to do so, to move that amendment now, please.

[Amendment 1.](#)

To delete proposition 20 and replace with the following proposition:

"20. To approve Committee Net Expenditure for 2026 totalling £650.55m as set out in the following table:

Service Area	2026 Revenue Cash Limit (£'000s)
Corporate Services	89,649
Economic Development	2,740
Education, Sport & Culture	97,893
Employment & Social Security	88,717
Environment & Infrastructure	16,451
Health & Social Care	252,705
Home Affairs	43,118
Housing	8,466
Policy & Resources	16,725
Scrutiny Management Committee	626
States' Assembly & Constitution Committee	85
Development & Planning	1,343
Overseas Aid & Development	5,026
States' Trading Supervisory	1,660
Royal Court	2,732
Law Officers	7,784
Pooled Budgets	1,009
Budget Reserve including GWP initiatives	6,320
Savings to be Delivered)	(2,500)
Total Committee Net Expenditure	650,549

Deputy Sloan: Thank you, sir.

Sir, Members of the States, this amendment brought with Deputy Camp is not about ideology or port story. So first let me thank staff, both from Treasury and the States' Greffier for assistance in drafting this Budget amendment.

Sir, this Budget amendment is about responsibility, about facing facts, restoring discipline and beginning the work of putting Guernsey's public finances back on track. Let us start with the numbers.

Next year's Budget forecasts a cash deficit of £115 million, a structural deficit of £77 million, and expenditure is set to rise by 4.4% while revenues only grow by 3.4%. Pay costs, already our largest single expense, are forecast to reach £360 million, almost 7% higher than last year's Budget. That is not prudence, sir; that is drift.

Our amendment proposes a simple corrective to hold next year's Committee spending broadly at this year's levels, saving around £27 million. We have been pragmatic. Where 2026 budgets are already below 2025 forecasts for Economic Development, Policy & Resources, the Royal Court, and STSB, they are retained. But there are exceptions; Social Security's formula-led spending, and the Education Budget is left untouched.

It is not austerity. It is realism. A pause to take stock, to demonstrate that this Assembly still believes in living within its means. Members will have seen the Scrutiny Management Committee's Letter of Comment. It has highlighted a familiar pattern: spending outpacing revenue, large increases in health and corporate services with little explanation, the continued absence of a credible fiscal framework, and now an over-reliance on uncollected, or even uncharged, Pillar Two receipts.

I have not been able to digest the comment from P&R that was circulated this morning obviously, at 7.53; I have not had time. I have scanned read it.. Certain aspects I do not reconcile with my understanding of the figures. It would be good to challenge those figures before we debate. So let me tell this Assembly that next year we propose that the Public Accounts Sub-Committee will hold a pre-Budget scrutiny in public to go through such assumptions and challenges.

That letter's conclusion was blunt. The Budget, this year's Budget, lacks context, transparency, and discipline. That is why we have acted. Because if arithmetic is not ideology, it must be our starting point. This is about responsibility, our responsibility as Deputies. We all stood for election, pledging to restore fiscal discipline. I find it hard to believe that any candidate in June asked whether they would support a £115 million cash deficit this autumn would have answered yes. Yet here we are. We cannot, in good conscience, continue voting through higher expenditure while reserves drain away. Responsibility means taking choices, not postponing them.

We often hear that certain areas are demand-led, as though that makes overspending inevitable. But Government is not a vending machine. Demand does not automatically entitle supply. Every household and business faces demand for more, for better, for newer. But we must decide what we can afford. Government is no different.

When we call spending demand-led, what we really mean is that we have lost the will to prioritise. Pressures are real, but they do not absolve us of responsibility. Members have to collectively face facts and grow up. Nor can we just keep blaming demographics. Yes, an ageing population adds pressure, but the current rate of expenditure growth goes well beyond mere demographic trends. We have seen near double-digit increases in departments, where demographics are irrelevant. These are not accidents of age structure. They are policy choices and pay drift. Demographics are a factor, not an alibi.

Some would argue that we should wait for the tax review, that GST or Corporate Tax reform will sort the problem. Let us be honest, in my opinion neither on their own will close a £115 million gap. Even together, we are likely to be tens of millions short. Even once agreed, new Corporate Tax measures take time to legislate, implement, and bed in. So unless spending is controlled, every pound raised will vanish into higher costs long before it strengthens our reserves. That is why, through the general election this year, I said we must do all of the above: control spending, reform Corporate Tax, and yes – I was honest enough to admit it – introduce consumption tax as part of a balanced modern system.

But sequence matters, sir. First discipline, then reform. If we raise taxes before we can control expenditure, we simply feed the problem. For us, the age of fiscal comfort is over. The age of fiscal honesty has to begin. For years, we have cushioned ourselves with reserves which, as the Scrutiny letter warned, continuing to finance deficits by drawing them down is unsustainable. We have been living on inherited capital, and the inheritance is getting almost spent.

It was not almost like this. Back in 2008, the year Zero-10 was introduced, there was an uproar over a supposed black hole of some £60 million. Yet that same year, despite a £42 million fall in Corporate Tax receipts, the States recorded a revenue surplus of £52 million, because expenditure growth was held to 0.7%. That is about £4.5 million in today's money, compared with the £28 million rise now proposed.

Sir, the difference is not tax structure, it is fiscal discipline. Fiscal credibility is hard won and easily lost. Once gone, it costs dearly in higher borrowing costs, slowing investor confidence, and reduced capacity to respond when crises strike. Adopting this amendment would be a modest but meaningful step towards rebuilding that credibility. It would also show Islanders that Government understands what every household knows. You cannot spend more than you earn indefinitely.

Sir, the deeper problem is cultural. We have come to equate spending with virtue, as though the size of a budget were a measure of compassion or competence. It is not. Spending is a tool, not a trophy. If it is inefficient it wastes resources that could be used elsewhere and ultimately harms the very people it is meant to help. The culture of saying yes to every demand must change. Sometimes responsible Government means saying not yet, or even no.

Fiscal stability also underpins growth. Businesses and households watch what we do. If Government behaves as if deficits do not matter, why should anyone else act prudently. A credible fiscal position is the foundation of economic confidence. It gives us room to invest strategically in infrastructure, skills and competitiveness, rather than just financing the day-to-day.

We do need tax reform. A modern competitive Corporate Tax regime that meets international standards, yes. A fair, broad-based consumption tax that protects the vulnerable, yes. And a simpler, more sustainable overall system. But those measures must form part of a coherent fiscal plan. Without expenditure control, new taxes will simply recycle inefficiently.

Fixing the public finances means doing all of the above, not choosing between them. Supporting this amendment sends three clear messages. First, that this Assembly understands the numbers and the need for restraint. Second, that Deputies will exercise collective responsibility, not Committee loyalty. Third, we recognise our choices today and determine the options available to those in the future.

It is not a comfortable vote, but it is a responsible one. The easiest thing to do in politics is to shrug and say there is nothing we can do. But that is not leadership, it is abdication. Every pound we spend is a choice. Every deficit we tolerate is a choice. If we claim helplessness, we surrender accountability.

We cannot keep blaming demographics, inflation, or global trends for everything. They are pressures, not excuses. The real driver of expenditure is decisions. Ours.

Sir, economics is the allocation of scarce resources. Money is one of those resources and we have been spending it faster than it has been coming in for far too long, as Deputy St Pier will counter. This amendment will not solve everything, but it is a turning point. It says we have heard the numbers, we take them seriously and we are prepared to act responsibly.

Tax reform will be part of the solution, yes, both Corporate and GST, but anyone who thinks that alone will fill a £115 million hole were mistaken. Without spending restraint, new taxes will merely postpone the record.

So, sir, let us choose realism over drift, responsibility over wishful thinking, and prudence over convenience. Let this be the moment we stop pretending that demand is destiny or that demographics alone dictate our Budget. They do not. Choices do. Sir, this amendment is about making the right one; for our economy, for our credibility and for the next generation. Sir, I commend this amendment to the Assembly.

Thank you.

The Bailiff: Deputy Camp, do you formally second Amendment 1?

Deputy Camp: I do, sir.

The Bailiff: Thank you very much.
Deputy Goy, is it your wish to be relevé?

Deputy Goy: Yes.

The Bailiff: Thank you.

Well if nobody wants to speak on Amendment 1 (*Laughter*) – why do you do this to me? Why do you wait? I will tell you what I am going to do. I am going to call Deputy Rylatt to make his maiden speech. (**Members:** Ooh.)

Deputy Rylatt: Sir, bringing my A-level in economics to bear against Deputy Sloan's career as an economist feels like brave territory for a maiden speech, but there we go.

Being a younger Deputy, I am often told about the fabled time known as 'the good old days'. A time, I am reliably told, when Government was small and cash surpluses were big, when our glasshouses had not long given way to glass offices, and when social media simply meant sharing a conversation about that day's press. But these are not the days we find ourselves in now.

People's expectations of what they owe Government and what Government owes them in return have, in most cases, changed for the better. The good old days did not ask Government to properly care for its older population, to guarantee a basic minimum standard of living for all, or even to mandate the use of seatbelts in cars.

So the question before us now is not now how we get back to that fabled place, but how we serve those modern expectations of Government in a sustainable and responsible way. So while I subscribe to the spirit of this amendment, I cannot support it as a first step back towards fiscal responsibility. But before I outline my opposition, it might be worth exploring where common ground may lie.

Like Deputy Sloan and Deputy Camp, I am deeply concerned about our current financial position. Deputy Sloan has rightly drawn our attention to the outlined cash shortfall of £115 million within the Budget, which will constitute a significant draw on our cash resources. The use of our reserves to meet Budget shortfalls in an ideal world should be the exception and not the rule. Our reserves are there to stabilise public finances during cyclical downturns or to weather economic shocks, not to smooth out a structural deficit as a matter of course.

The obvious bears repeating, I think. We are an Island with no conventional control over monetary policy. We cannot set interest rates. We have no real currency sovereignty. We have no lender of last resort. So it should be clear to all Members that we cannot afford to live off our own capital the remainder of this term.

With our narrow tax base, the ideas of responsible financial management, which have been laid out in this amendment, become increasingly difficult to achieve.

Last year, personal Income Tax and Social Security contributions made up 74% of our total revenue, whereas the equivalent taxes comprised just 58% of the Isle of Man's tax base. If we set this against the backdrop of a shrinking pool of taxpayers due to an ageing population, this, I think, throws the seriousness of the situation into sharp relief.

To me, the sustainability of our public finances means not just balancing day-to-day incomings and short-goings, or outgoings, but having the capacity to invest the recommended 2% to 3% in GDP in our infrastructure yearly. That issue is inextricably linked with our efforts to keep young people on Island.

Speaking from first-hand experience, more and more young families are weighing up whether their future will be here. People I know who would not ever have questioned their place in Guernsey are now reconsidering. The belief that Guernsey is a place worthy of a person's future has to start with Government. Because if the Island cannot meaningfully invest in its own future, what reason is there for people to invest theirs here?

With all of that said, why am I not supporting this amendment? Again, I agree with the spirit of the proposal but have serious doubts about its execution. This is for two fundamental reasons. This

reduction in spending is a wholly blunt instrument. Secondly, it is not guided, I do not think, by a clear idea of what fiscal responsibility means in this budgetary context. To take the blunt instrument point first, in the process of cutting £27 million of expenditure, this amendment makes no attempt at differentiating between spending, which may represent value for money, and that which may represent waste. There is an absence of any detail whatsoever as to what would actually be cut in the specific committee areas.

A proposal that has been formulated without consultation and in isolation from the service delivery committees, I think, loses the right to call itself a measured step, and instead presents as more of a blind and hopeful hack at the Budget.

We all know when cuts of this nature are imposed without proper consideration of planning, the first costs that get shed are not waste or inefficiency but the easier deferrable expenditures; maintenance, staff training, budget grants. Spending which almost inevitably returns in the following years like a fiscal boomerang, saddling Government with an even greater price tag for the same or worse outcomes.

A £9 million cut to HSC's budget alone, made without due consideration, would almost certainly incur long-term costs that outstrip short-term gain, particularly if preventative services and measures are scaled back. We can be very confident about that. An eight-year study funded by the Medical Research Council of 147 local authorities in England found, unsurprisingly, that when total health spending and capital was cut the prevalence of multi-morbidity increased.

Am I saying all health spending is beyond reproach? Absolutely not. I am confident there is greater scope to make our healthcare provision more cost-effective, whether that be through further integration of technology or working more closely with our neighbouring isle, that those changes must be fully thought out.

The fundamental problem for me is that this amendment feels short-sighted. It is something which may represent fiscal responsibility in the here and now, but is likely to materialise as fiscal irresponsibility in the near future. Secondly, sir, the rationale for this amendment appears to me – I may be mistaken – to be arbitrary.

The proposal has been laid in the name of taking a step towards fiscal responsibility, but there appears to be some confusion as to what that even means in the context of this Budget. Just a few weeks ago, Deputy Sloan mentioned in an interview that he would have supported the Budget if it included a 1% reduction in baseline spending; a cut of roughly £6 million to £7 million. I am therefore somewhat confused as to what has changed. What analysis or consultation has taken place, which meant that only weeks ago this was a Budget just a couple of million away from achieving fiscal responsibility. Yet now, it is apparently almost £30 million away from achieving that same goal. Sir, through you, in case I have misunderstood, I would be grateful if Deputy Sloan would be able to clarify that point in reply to the debate.

Deputy Sloan and Deputy Camp's amendment expresses a sentiment, I believe and I hope that we all share, that Government must live within its means. But it will take a number of difficult steps to get to that place. If the first step on that journey, as an Assembly, is to swing the axe before we even know what is in its way does not inspire confidence as to the precedent we set, how we make these decisions, and how we take these steps.

To build on what Deputy St Pier said, sir, and as it relates to the amendment, I would like to briefly address the commitment that Forward Guernsey Deputies and I have made to achieving that 1% reduction in baseline spending. I would like to thank Members for keeping us honest. We should all welcome scrutiny from colleagues and hold each other to account on our election promises. That makes for a constructive Assembly. It is what the people who put us here expect from us.

To be clear, my party colleagues and I would have brought an amendment to this Budget detailing a 1% reduction, but simply had it not been for the new savings initiative being spearheaded by the Chief Executive and overseen by Policy & Resources.

As we have heard, the new representative appears to be a ground-up, cultural approach to achieving efficiencies, and my impression of what has been said is that this will look to empower those within our public service, not encumber them. That, in essence, is what I see as the credible

alternative to this amendment. We believe that the £4 million of savings already identified, which has been said at around 0.6%, combined with this new initiative, could yield savings well in excess of that 1% target.

So that manifesto commitment has not been forgotten or abandoned, but it has evolved beyond what was originally envisioned. It is on that basis that my party colleagues and I have not brought an amendment. But I can assure the Assembly that I will be holding the Chief Executive and P&R to account on delivering this. Should we find ourselves, a year from now, without those desired results, I give my commitment to colleagues that we will pursue the 1% savings target set out in our manifesto by hook or by crook, or more likely by amendment.

Sir, I urge colleagues to recognise the severity of our financial position and our needs tax, but in a considered and sustainable way. I therefore encourage Members to reject this amendment. *(Applause)*

The Bailiff: Deputy Oswald.

Deputy Oswald: Sir, States' Members, as President of the Committee for Health & Social Care, I would like to make States' Members aware of the implications of Amendment 1 for the provision of health and care services that this Committee oversees.

If Amendment 1 were to be carried, the implication is that the Committee for Health & Social Care's 2026 Budget would reduce from £261.3 million proposed in the current Budget to £252.7 million, an £8.6 million reduction in expenditure on health and care services in 2026. This will represent only a 1.1% increase above the 2025 authorised budget of £249.9 million, implying a real-terms cut when inflation is taken into account in expenditure on health and care services.

Health and care services are demand-led and are based on clinical need. I do not recognise the comparison that Deputy Sloan made between household expenditure and requirements and clinical need and health-led service demand. Health-led service demand means people's lives and health are at stake.

The structure of the Bailiwick's population means that the demand for health and social care services is rising rapidly, resultant to a large part in demographic change. Examples of where increasing demand may arise includes a decline in reported healthy life expectancy of about two years since the last survey of 2017 to 2019 compared to the most recent survey, albeit that overall life expectancy remains the same. There has been more than doubling of the proportion of deaths related to dementia since 2005. Both these figures indicate a decline in overall health and an increasing need for complex care in the final years of life for substantial numbers in our community.

At the other end of the age spectrum, we are forecast to spend £8.5 million this year on off-Island care packages, predominantly for a growing number of mainly young people whose needs are complex and cannot be met locally; a prime example of demand-driven increasing cost pressure. I am not in the usual realm of medical shroud waving, but these realistic figures have to be pointed out.

I would also note that the Committee was not awarded the full budget that it requested. In fact, we were given just over half of what was requested. As a result, the Committee will need to cut its cloth accordingly, even if this amendment is not passed.

Approximately half of HSC's original budget request was driven by the need to meet increased demand. The other half is mainly made-up of pay costs for frontline staff to enable us to recruit the workforce we need to deliver essential services and to meet the increased costs of medical inflation, which routinely outstrips the rate of general inflation.

As a Committee, we are acutely aware of the financial pressures facing the States as a whole and I wholly endorse Deputy Rylatt's maiden speech. Thank you very much, sir.

The Committee is committed to transforming the way health and care services are delivered through service innovation and technology and modernising our hospital to enable services to be delivered more efficiently and cost effectively. If agreed by the States in the Government Work Plan, the Committee will be taking forward a programme of work to renew the delivery model for

healthcare service on this Island, to ensure that services are delivered as cost-effectively as possible and by the most appropriate provider with a focus on prevention and early intervention.

425 However, the day-to-day reality is that we are seeing increasing complexity in patient needs, greater pressure on hospital and community services and a growing demand for mental health and social care support. To continue to meet these challenges, we need to expand our capacity. A cut of this magnitude would force HSC to cut services, which would have severe consequences on our community's most vulnerable service users.

430 If this amendment is successful, the Committee would need to consider reversing some of the initiatives included within the Budget allocated for 2026, and I give here just a few examples. Cessation of funding of the De Havilland Orthopaedic Initiative, which has provided essential capacity in recent years. This would lead to increases in waiting lists for orthopaedic procedures and a greater reliance on off-Island treatments. The closure of De Havilland Ward, in order to save £1 million, would have to happen in Q2 2026 if funding outside BAU could not be found. This would
435 be the most obvious consequence to the public at large.

The De Havilland Initiative is one of the few bright spots in our waiting list challenges. The capacity it offers for joint replacement surgery and the avoidance of needless cancellation of elective procedures because of lack of beds has allowed the orthopaedic waiting list to stabilise rather than inevitably continue on its ever upward trend. Needless to say, employed HSC staff, of whom there
440 are 18 full-time equivalents working on the ward, would also be directly affected.

Reduction in existing key worker accommodation provision, leading to a greater reliance on agency workers, asking staff to work longer hours and making it more difficult to recruit permanently, for a saving of £1 million.

445 Reversal of investment in adult disability services, surgical services, lighthouse wards and cancer service, which are all demand-driven challenges in order to save a further £1 million.

Reversal of a plan to recruit specialist resources across ophthalmology, gastroenterology and urology, each speciality having waiting list challenges, and in the case of gastroenterology and urology, being single consultant specialists, saving a further £0.8 million. These are four examples, total saving of £3.8 million, and all have implications for servicing existing demand and would lead
450 to longer waiting times and procedures of treatment.

The Committee will need to find another £4.8 million in service cuts or efficiencies in addition to those already identified above. I hope that Members can appreciate the very real impact that this level of service cuts will have on Islanders. The intention, as stated in Amendment 1, to not undermine essential services is clearly not feasible in the circumstances described.

455 I stress that the Committee has not discussed in detail the four consequences for service delivery if this amendment is successful. Members should be in no doubt that budget cuts at the scale proposed will require the Committee to make a range of difficult and unpalatable cuts that will impact on some of our most vulnerable service users. It is simply not possible to deliver the proposed level of budget cuts in the timescale proposed, which is less than three months, through efficiency alone.
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I thank Deputy Rylatt for his very considerate and measured speech. I also thank Deputy Sloan for the challenge he has presented to us. I concur, as others do, with his fear about our fiscal status. We are going to do our best to ameliorate costs in the future, but this is a long-term work process which is currently about to get into hand. I therefore respectfully ask my fellow States' Members to
465 reject this amendment.

Thank you, sir.

The Bailiff: Deputy Rochester.

470 **Deputy Rochester:** Sir, I thank Deputy Sloan and Deputy Camp for taking the time to put forward this amendment as it creates the opportunity for the Assembly to focus on the critically important subject of cost management in the public sector. I agree with Deputy Sloan, in fact, on

much of the cases that he put forward, particularly on sequencing. I just choose to sequence a different way.

475 Let me start my speech by stating quite simply that no responsible Government should manage the annual budgeting process as we have this year. We have an obligation to our community to spend taxpayers' funds prudently, and both the process we adhered to this year and the timing of that process mean that we are seriously at risk of failing to deliver on that obligation.

480 As many have explained, the Budget process has been unfortunately resulting in newly formed Committees scrabbling to get to grips with the mandate of the Committee, at the same time as scrutinising the Budget proposals put forward by our officers. Our ability to genuinely provide constructive challenge resulting in the necessary cost reduction has been limited and that is not acceptable.

485 You may ask, given my strength of feeling on this topic, why I would not support this amendment. Well, this amendment is a short-term damaging solution to a long-term structural problem. The drivers of the structural issues we face are broadly the same as most Western economy Governments: ageing populations resulting in a lower tax take and greater spending on pensions, healthcare and social care; a sluggish developed economy resulting in lower economic growth and lower revenues; high public expectations for the services that we provide across education, welfare, 490 transport and digital infrastructure. And that is before we talk about the recovery that we have had to put forward; the financial impact of COVID and the forthcoming climate mitigation adaptation costs, among others, that we will need to bear as a Bailiwick.

To my mind, we have two problems to address if we want to move forward with fiscal wisdom and demonstrate to the voting public that we can be trusted to raise and spend in a prudent and 495 effective manner, resulting in the best possible outcomes for our community both now and critically in the long term.

Addressing those two problems will take courage and hard work. The first is the short-term annual budgeting process, the way it is performed, controlled and reviewed. Firstly, we must radically change the way we budget. Deputy St Pier has already committed to this, and 500 Deputy Kazantseva-Miller has shown some excellent observations on how the process should be enhanced.

To simply take what we spent the year before and ask for more money where needed is not acceptable. We must open the black box of cash limits to scrutinise on an annual basis what costs we are incurring and what we must do to minimise these. That must be politically-led and supported 505 by our officers. It is incumbent on each of us to create the culture at Committee level of cost-consciousness. To do that, we must adhere to our mandates by ensuring constant, effective oversight of operational delivery. Critically, we must do this while always challenging ourselves to deliver for less. That culture has not prevailed in the time that I have been a Deputy, and it must.

I have offered to work with Deputy St Pier to support the review of the Budget process but none 510 of us need to wait until that review has been completed to start managing costs. We can and we must start doing that now. (**A Member:** Hear, hear.)

It is not just the budgeting processes I want to change for the better. I also want to ensure effective, timely and ongoing independent scrutiny of how we spend taxpayers' money and I struggle to understand why we do not have an independent team of auditors working across the 515 public sector to determine whether the way we choose to spend taxpayers' money represents value for money. Sir, if we are serious about spending that is wiser, more effective and more efficient, then we should welcome the establishment of an Auditor General role. I know I would, and I believe that the statutory function desired to ensure that Government is accountable and efficient, operating with integrity is, to my mind, non-negotiable.

520 Secondly, we have to start to address the structural challenges posed by the root causes that I set out earlier in my speech. While it is essential that we manage costs more effectively through the annual budgeting process, that cannot and will not deliver sustainable finances and services in the long term. It is for this second reason, sir, that I cannot support Deputy Sloan and Camp's amendment. The budget reductions put forward are significant enough, in my opinion, that they

will impact the provision of services across each of our Committee mandates, but I can only really speak as a member of HSC and E&I. In that time that I have spent on our financial positions within those Committees, I have concluded that the cash limit reductions put forward by this amendment will not focus the Committee to look at cost reduction through 2026, but actually force service reduction as well.

We are currently using larger and larger sticking plasters to cover up the wounds and it will not be long, in fact some would argue that we have already reached that point, that there is no plaster large enough.

For my part, I intend to do all I can to address these structural issues within HSC and E&I and I also intend through this term to advocate for a longer-term view on policy creation and greater public participation in policymaking. Only by being honest about the structural challenges we face and the hard trade-offs we need to make are we actually thoughtfully leading the Island to a sustainable future and a better future.

The Policy & Resources Committee have a resolution to develop a long-term vision for the Island and while I commend them for responding with focus on our short-term priorities as they must, I would implore them not to let that particular resolution languish over the coming term.

Sir, to summarise, I will not vote for this amendment because it does not seek to address the root causes of our ballooning budget but simply putting another sticking cluster on it, which will be disruptive to critical services provided by the public sector. But, in rejecting this amendment, I commit personally to supporting a review of our Budget process, advocating for the creation of an Auditor General role and working within my Committees over the remainder of the term to rethink how we provide services that meet the needs of our community in a fiscally responsible fashion.

The Bailiff: Deputy Gollop.

Deputy Gollop: Thank you.

First of all, I thank Deputy Rochester for her professional speech and indeed endorse her perspective that we would be good to – it was comforting to hear from Deputy Sloan that he is reforming a Public Accounts Committee, but I think we would go even better with that aligned to an Audit Commission and an Auditor General; maybe working with Jersey, maybe not.

I think that would strengthen our abilities, parliamentarians, and I will give a nod here to Deputy Curgenvin who also recently on social media made the point that – and we are not going back to the good old days, but it is fair to say that in the Blue Books of old you almost could count the number of paper clips each Committee purchased, and it is much harder now to see where there is expenditure. If you are not on the Committee you cannot give the level of oversight that Deputy Rochester would like all of us to do and make part of this our duty. That does mean operational oversight. I think, although the accounts are portrayed in a way that is effective in broad terms, that is an issue.

I have been toing and froing a bit on this debate because as a Member of the Home Committee, I, of course, support the Budget and where we are going our President has already made an opinion of it, but there is part of me tempted to support Deputy Sloan and Deputy Camp's amendment. One of the reasons is the fact that I think although it is presented by two scrutineers it is presented by two individual Deputies and they are prepared to challenge us and, more importantly, portray a form of opposition because effectively, if they win today, it is a non-Government winning with the Parliament for what is a significantly lower budget, 3.5%, £27 million, £28 million, £9 million from Health, and that will be an interesting day.

Ironically, Deputy Oswald's very eloquent speech and very detailed speech about the impact it would have on many areas of care, adult services – and I benefit from adult services. I am sure many people in this room benefit from health services for their families one way or another – of the cuts, and the closure of a ward, and the disruption of orthopaedic programmes, and various other initiatives. On the one hand, it fills me with dread. But on the other hand, the mischievous part of

me actually perks up because the nature of this amendment, I think, if it wins – and I will not vote for it, but I can see its attractions (*Laughter*) – is it gives a rocket to Policy & Resources, and a shock to the Assembly, and a shock to the public.

580 Because the public, and perhaps some of us, have been guilty of living in a fool's paradise. We are spending beyond our means. So is Jersey. We hear that they have got £350 million structural deficits.

Deputy Sloan asked many questions in his interesting speech. He said, should we be abdicating our role in being fiscally responsible? Well, I think I have been doing that for many years. Although
585 I have been hoping, kicking the can down the road, that we will have a robust Tax Strategy of some sort. I several times supported an aborted attempt to increase our tax by 2%, either for everybody or for the well-off. It failed. We do not see that this year. We have not really got meaty tax-raising proposals before us.

He also said, surely no Deputy would have stood at the election saying that we are happy to
590 have a cash imbalance of £115 million. I think I probably did, actually. Because I said we have got to go on spend, spend, spending, and have public services, and have more taxation. That is not a very popular message these days, but it is actually where we are at. What has always infuriated me is each election, and I still stand here going downhill, is new Members come in with a determination of responsible Government and efficiency savings and it does not happen.

595 I sometimes say to people, 'Well, the savings you would think about cannot happen and will not happen.' I, in a way, have integrity saying that because I am always proved right.

I think the point has been made outside by professionals and perhaps retired States' Members and others, that most Members of this Chamber – not necessarily most, but many of us – we are not professional accountants or business people so we struggle with some of the details. There are
600 so many different accounts. Deputy St Pier, I think he talked about £48 million, you can come up with another figure, £115 million, it all depends. It is very complicated.

But what is not complicated is despite manifesto pledges and others, we are going to spend more than ever. The second thing that is not complicated is that we have not got a fiscal strategy ticked off and that we are spending more and more cash. We may have Pillar Two down the road
605 but it is not in the Budget yet.

I can see that this amendment is a more sophisticated version of one we saw last year, I think, by the lawyer and then Deputy John Dyke, which was about savings. Well, not savings, but just budget curbs. Of course, it had the same disadvantages of salami slicing and a lack of knowledge of what Departments could or should do. Of course, we have had a few weeks, if not months, of
610 discussing budgets. It is fair to say, for example, the Home Department has not got all of what it wanted by a long way. So we ourselves have had to compromise.

But I think the real message is that we do need to listen carefully to what Deputy Sloan has said. That we need to do things smarter. I do not think savings as a concept is easy, because if it is just cuts then that is not an answer, but we can improve the way we do things, certainly. But we also
615 probably need corporation tax and GST and other forms of taxation too. We cannot just go on saying we do not want all these extra taxes, we do not particularly want to make savings, but we can go on.

The one point, though, that does frustrate me is out there in the community you sometimes come across successful entrepreneurs, people in the offshore finance sector, who come here and say we should get a grip, we should work smarter and we are overspending, and they compare the fact that we are over-governed to a town or a unitary authority in the UK. That misses the point. The very reason they are attracted here is our independence; our judicial independence and our financial independence. Because in reality we are running a small country. I fear that the costs of so doing means that we cannot have a completely minimalistic approach. I think it is inevitable – and
625 we need to do this as fairly as possible – that the proportion of money that is taken by the States, not necessarily given to civil servants but given to agencies that serve the States, third sector, will have to increase if we are to maintain not only a robust, regulated society, but also a fair society, as

Deputy Rylatt pointed out, that really supports those who need help, who are vulnerable, and who are the next generation too.

630 I thank the proposers of this amendment, and I will listen to other speeches, but I think what they have done is put a shot across our bows to realise we cannot go on like this. If we are still in this situation next year then I am afraid a degree of austerity may well prove necessary.

The Bailiff: Deputy Inder.

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Deputy Inder: Thank you, sir.

I have not really written much of a speech, you are going to get acapella as they say; that is normal. If you look back at what Guernsey has become, and it is something that Deputy Rylatt mentioned, we have largely changed into a welfare state, bureaucracy with a bit of an economy. We spend only 1.8% of our total budget marketing and developing the economy. It is absolutely nothing.

I went to the 2018 budgets versus 2026, and it is absolutely staggering. Absolutely staggering. 2018, EcoDev had a budget of about £6 million, it is now around £12 million. It has gone up 100%, relatively. Not a particularly good budget. Education, Sport & Culture has gone up 30% in 2018. ESS has gone up 30% since 2018. Home Affairs, 100%, from £29 million to £45 million. Corporate Services seem to have jumped, if I am reading it correctly from around, looks like, £35 million to £92 million, almost 300%. Now these are the big figures: HSC has gone from £115 million to £261 million. What else have we got in here? Yes, and Law Court has only gone up from £2.5 million to £2.7 million, yet the Law Officers has gone up from £4.4 million to £8 million.

645 I have been around a while, probably too long. Thanks for that. *(Laughter)* I set myself up for that, I have got to say. Now, in between those periods, 2018, 2026, we have had some massive expenditure but what I am not understanding is why we are maintaining the same budgets. We have been through Moneyval and we spent a substantial amount of money having quite a substantial success. So that should have gone by now.

655 We were told that we had to spend an awful lot more money on health because of COVID. So there should have been some reductions on those extra expenditures. Corporate Services alone, I have got no understanding, which is the responsibility of P&R, of how it can move from £30 million to £92 million. There is absolutely wiggle room in this to reduce the budget. The difficulty Deputy Sloan has, he has been criticised for salami slicing, which of course is exactly what the Future Guernsey or Forward Guernsey – I never know, they all look the same to me – Future Guernsey Party in their manifesto actually said we want 1% off the budget. Well, that is a salami slice.

Deputy St Pier back in 2018 wanted to salami slice something like 2% and us on Education, Sport & Culture at the time – that miserable year I was there – tried to salami slice, then we lost our jobs. Then as soon as his best friend got the job, suddenly he got the salami slice. It was a bad idea.

665 Members, I am going to support Deputy Sloan's amendments; I do not expect it to win. Deputy Gollop says that he cannot support the vote for the amendment, what he did not say was 'at the moment'. Give another three speeches he may well. I think largely – and I really do not subscribe to this idea, and I do not think it is a trick, and I do respect Deputy Oswald, but this whole idea that patients will die, nurses will be sacked, people will leave, and libraries will close, that is entirely what people who want to keep the bureaucracy going – and they do want to keep the bureaucracy going – that is their first base.

670 We will start sacking frontline services but the frontline services are not the problem. They are not working from home. They are out there doing the work. The problem appears to be at Corporate Services, at procurements, at the bureaucracy. We simply cannot say that every single white-collar person in the organisation is working with a £37,000 budget. I know it is doable.

I am going to support it because is brutal. What it may mean, if it is successful, is that P&R may be able to come back with an emergency budget very quickly. They could do that. I think they can do the work, I think it is in them, if they are prepared to, because the party leader said that he would bring in a 1% cut in budget. Actually, this is better than the party manifesto.

680 Deputy Rylatt, while not supporting, really he should support it because it is actually better than what he said on the stump when he got his job as an elected representative. That is what his party said. His party said that by 2026 that they would cut the budget by 1%, and I just find it incredible that neither Deputy St Pier or Deputy Rylatt would support something that he said. It is actually Deputy Sloan and Deputy Camp that move him towards his manifested promise, which they appear to be backpedalling out of.

685 Members, I will be supporting it. I do not think it is going to get through but Deputy Sloan is right. Deputy Camp I do not think has spoken yet, she probably can say something similar. Those out there have said they wanted to cut waste; I am hearing the right messages from the Chief Executive, I am not actually hearing the right messages from P&R. This £8 million, which I think
690 Deputy Goy brought out something quite interesting in his Rule 14 questions. The amount of consultancy, I am actually genuinely shocked. I am genuinely shocked by the amount of consultancy. I think we could have improved on that. I think we could have just put a stop.

Absolutely, Members, now I really am on the roll. I have said this before and I am going to say it again. If you switched off Government today, i.e., the Parliament, and we did not sit for the year,
695 with the exception of approving accounts, a budget and the odd fiscal emergency instrument, do you think for a minute the sun would not rise and the tax would not run? We are the problem here because we come to this Parliament wanting to do more stuff and this is what we want to do. What happens in the budgetary process, what your company or community secretaries or whatever they are – whatever they are called this week – they basically say – and it is pointed at Deputy Rochester
700 and I think Deputy Kazantseva-Miller has mentioned in the past, 'Well, that is what you did last year, what else do you want to do?' That is where the growing like Topsy happens. You never go back to your core budget and see if that is performing properly. That is the problem.

Members, I will support it and I think relatively Deputy Sloan and Deputy Camp are doing the right thing. They are doing what they said they would do in the manifesto, unlike some.

705 **The Bailiff:** Deputy Gabriel.

Deputy Gabriel: Thank you, sir.

I would like to respond to this amendment on behalf of E&I and how it may affect the services
710 that E&I deliver for the public, for the community. Members will know that the Committee is largely responsible for the maintenance of the Island's public facing areas, its green spaces, its seawalls, coastal defences and coastal features among many other things that it has political policy responsibility for. I would like to let Members know about the service delivery aspect.

The Committee is a heavy commissioner of contracted-out services, because we do not do them
715 ourselves, and our supplier charges have undergone above-inflation cost increases over a period of several years. One notable supplier being States Works. These quite often translate into contract price rises of between 7% to 12%, as no doubt their pay costs have increased due to the P&R negotiations and RPI amounts, along with many other factors affecting them and other suppliers in the Island.

720 Members should note that the total request for additional budget for 2026 relates in large part to increases to our maintenance contract costs. Almost two-thirds of the total additional budget requested came from contract costs. The Committee is also acutely aware that significant policy development work is required during 2026 and onwards. On this basis, it has chosen to act pragmatically and to temporarily deprioritise workstreams totalling some £500,000 from 2026 and
725 to delay these until 2027 in its efforts to keep its additional budget request for 2026 at what it felt like was the lowest amount required to deliver upon its mandate. Policy workstreams have also had to be deferred into 2027.

We know that States Works is a trading body under STSB and it is likely charged with making a profit for the States. Guess where that profit comes from? Well, it charges to its customers and, yes,
730 you guessed it, Members, E&I is one of its largest customers, I would imagine. At Committee level, we cannot agree to pay more to our suppliers due to budget constraints, especially if this was

imposed on us by this amendment. Even after efficiency measures we build into contracts, invariably service levels have to decrease.

Highway cleansing has been in the news most recently and, as the title suggests, it is the clearing of public highways and pathways. Without this service, drains become clogged by leaves, weeds and other sundry materials, and flooding occurs on the roads and pavements.

The Committee has had to reduce the deliverables of its SLAs over time to be able to fund the contracts following above-inflation cost increases, as I mentioned, and those staff pay increases. Also, a key reclassification of surface waste water and arisings from the roads led to significant cost increases recently for the disposal of all that waste water collected.

One such workstream that was adjusted last year was a reduction of cleansing of minor roads outside of the main centre from two times a year down to once a year. Members, if you have seen my inbox – yours may be the same – there are certainly lots of complaints around that reduction in service. Again that reduction in service was backed by the Committee reinforcing States Works voluntary cessation of its use of glyphosate for weed killing, due to both its detrimental impact on the environment and its effect on increasing road resurfacing costs as well because of the damage.

All this because trading bodies are charged with making a wooden dollar profit. It is a bit like whack-a-mole. It goes down in one area, you whack it, you address it and up it pops somewhere else. If passed, this amendment will drive over £1 million coach and horses through the cash limit of E&I's budget and have a resulting detrimental effect on service delivery.

In my view, it is a false economy to salami-slice this Budget like this, especially when at E&I one action is to reduce the level of service delivered, as I have mentioned. Infrastructure maintenance, such as coastal defence, is a prime example of where service delivery should not be cut. It is always more efficient to proactively maintain our sea defences rather than to wait for a breach and then spend many more times rectifying that breach and the unplanned disruption that that brings to.

Some Members may remember the storm impact of February 2014, which wreaked havoc on our shores, especially down at South Esplanade and other areas around our coast. Subsequently, that cost significantly more than the budget allocation of £250,000 for that year. That allocation prior to that was rarely used and only in times of emergency or retrospectively. That budget allocation today is closer to £1 million, as we now proactively base works on a prioritised and inspection-based need. But that, in my view, is money well spent, akin to caulking a leaky boat.

If this amendment gets your support, Members, at E&I we will be asking our contractors to do the same work for less money. This will impact a lot of the community's daily lives. Potholes may grow. Weeds may be on your neighbour's wall. Perhaps even the bathing pools and roadside coastal walls may not get proactively repointed or repaired after storms; targets missed.

The bathing pools platform is a well-loved feature. To attain the platform following its reopening, the Committee must deliver the pool safety operating procedures at an additional cumulative cost of tens of thousands. Additionally, the cost of the project required for removal of slippery algae from around the pools has increased significantly. It is not possible to reduce these costs without impacting public safety at the pools or indeed risk closure of the diving platform and all the pools, which we all know nobody wants. Surely there is another way. Raise more revenue, right?

At E&I we have a few options available to us. That would be to increase fees for driving licences and tests or put the bus fares up. Any introduction of charges will generate income to offset the costs of service provision, which will help to safeguard the Committee's budget for your essential public services.

Perhaps I should implement fees for roadworks that benefit householders, such as the diligent house removal firm that applies to close a road or block a street with their vehicles while moving you in or out of your new home, or the scaffolding that makes a road one way for weeks on end while a house is painted or an extension added, or the oven cleaner that suspends disc-zoned parking close to your house.

Any revenue-raising measure should ensure that public funds are prioritised for activities that deliver the greatest benefit to the community, rather than subsidising private or optional activities. At present, the public is meeting the cost of temporary traffic management for activities that are

often for private gain, which is not a sustainable or equitable use of public resources. If this is implemented, of course, it should be fair and transparent, reflecting that the user pays ethos is central. Those who request and benefit from temporary traffic management will contribute to the cost, reducing the burden on the general taxpayer.

Perhaps also I should ask the Chief Exec of the Civil Service to review staffing. For example, the Department that is responsible at E&I for delivering climate change, pathway to net zero, the Electricity Strategy, the Energy Policy and also the newly created Offshore Wind Group, yes, they could take staff reduction, right? Well, I will let you into a secret, that Department currently has the number of staff in it that I have thumbs on my right hand.

So what is the solution? Work smarter? We are trying to implement efficiencies digitally, working in-house. Work harder from what I see staff are. Just do more with less then, that is it. Perhaps it might help if P&R and STSB should commit to review the States Works charging policy in relation to States' services provided to the States' Department and States' Committees with the aim of removing any profit built in.

Members, I did not sign off this Budget in August in blind knowledge that it was last year's plus a little bit more. At Committee level we interrogated it to the best of our ability and all lines were scrutinised and adapted to suit what we were mandated to do; that is to deliver public services. We took the view that while cash limits were increased, they were justifiable, considering pay awards and contractors' costs, coupled with a pragmatic view of the state of our finances. We reduced budget lines where we could and delayed implementation of services.

Certainly, Members, I am not going to vote for this amendment but if it does pass I can live with the service cuts, but can you, Members, and can the members of our community?

The Bailiff: Deputy Niles.

Deputy Niles: I rise in frustration. I have every sympathy for the President of E&I in everything that he said about the costs and the work that they need to do. However, salami-slicing those costs and delivering them in stealth taxes to our community is something that we have done for years and it cannot continue. We must fundamentally change the way we think about raising revenue for our community.

Sir, this Budget crystallises these three numbers, that we have built no provision for spending, no provision for future savings and no provision for growth. This year we are budgeting to create a deficit of £48 million and we will draw down an eye-watering amount of £115 million to pay for things that we need accruals for in the future before we settle the difference. Apparently, it is a holding budget awaiting a tax review, which has followed countless previous tax reviews, all of which have told us to raise revenue in order to balance our book and make provision for the future.

I understand, perhaps, how the Committee may have arrived at this Budget, but it is not what our community asked for. I can remember being at countless hustings where people have asked us to be fiscally prudent. (**A Member:** Hear, hear.) If you want to understand how we got here, you can follow the money. There are many who are no longer in this Chamber who never had the spinal fortitude to speak to our community honestly, to raise revenue, to invest best in our infrastructure, to complete our schools and make provision for the future. But there are many still who sit in this Chamber who have ignored the problem, who never took the decisive action when they were given the opportunity to do so, who were always horizon scanning for hopeful solutions to cure our immediate problems. All of our current senior Committee is populated by these people.

Sir, they speak of being hopeful. There is no room in this Chamber for hope. (**A Member:** Hear, hear.) Hope is for an afternoon at the races. We must base our decisions on facts, on trust and on integrity. We have not been able to vote for fiscal discipline for whole terms of Government and when this happens we burn through our savings. These savings were grown and made in Guernsey by Guernsey people (**A Member:** Hear, hear.) who have contributed their hard-earned money to our coffers. These reserves have been blown away through fiscal recklessness.

835 I am going to support this amendment because I cannot wait another year before we do something. We are living hand to mouth and I weep for our forefathers who built this great Island and who would never have believed that we would be borrowing to live in our daily lives.

Now, we talk about expenses and we focused on health and social services. There are many in our community who will make you believe that our funding is diminishing meaninglessly by groups of people in our Civil Service doing nothing. Sir, this is not the case. People in our public sector work with purpose, for all of us, however it must be understood that if you look at our health and social care services, which represent almost 40% of our total budgets, these costs are growing at twice the rate of our revenues. It is a recipe for disaster. Sir, I do not wish to wait for another year before doing something.

845 Thank you.

The Bailiff: Deputy Hansmann Rouxel.

Deputy Hansmann Rouxel: Thank you, sir; and thank you for those who have given good speeches already.

When we consider any amendment there are two questions we should always ask ourselves. First, does this amendment actually do what its proposer says it will? The second is, what are the unintended consequences if it passes? To answer these questions properly, we have to consult with others, with the Committees affected, with those who have had to make the numbers work and deliver the outcomes. Nowhere is this more essential than with this amendment, which fundamentally affects every Committee in the States.

Let us begin by looking at the Rule 4 information on this amendment because there is a reason it is there. It exists to make sure that before this Assembly makes sweeping financial decisions, we have done the work, that we have consulted those affected, that we have asked the people who understand the consequences, what those consequences will be.

We have already seen some speeches this morning that outline the answer to this, but if you look in paragraph (b) of the Rule 4 statement, we are told that consultation has been undertaken with the Policy & Resources Committee. That is it. No consultation with the Committees whose budgets are being reduced by £27 million. So before we can even answer our first question, does this amendment do what it says it will, we already have a problem. That has been highlighted already by the speeches from Committee Presidents.

Without proper consultation, we cannot know what it would achieve in practice or what it would damage in the process. It is not just a procedural gap. It undermines how consensus Government is supposed to work.

Now, the first question in substance. The amendment claims to impose the skilled discipline. In reality, it takes the carefully constructed 2026 budgets, built from months of evidence gathering and negotiation, and replaces them with last year's figures. It says, 'Hold spending flat and everything will be fine.' But behind every pound, there are hundreds of hours of analysis. Behind every cut, there are real services, real staff and real outcomes.

As indicated in Deputy Oswald's speech, the real outcomes of orthopaedic initiatives going off Island. To suggest that any Member can decree a £27 million reduction without asking those delivering the services how it could be achieved, is not fiscal discipline; it is wishful thinking. The answer to our second question, what are the unintended consequences, is already in the Budget itself. If you read paragraph 6.7, Policy & Resources already acknowledges:

The Policy & Resources Committee therefore considers that its proposed cash limits incorporate an appropriate degree of expenditure restraint. However, it remains mindful that the resulting budgets will present a significant challenge for Committees in maintaining service delivery within the constrained financial parameters..

We know this. Any Committee knows that we are sitting with constrained principal parameters. Even within this balanced Budget – almost balanced Budget – P&R acknowledges how hard it will

885 be to maintain services. This amendment removes a further £27 million with no plan, no analysis, and no conversation. In paragraph 6.14, P&R says:

Additionally, the budget process has evolved to place disproportionate emphasis on new and incremental funding requests, with limited broader consideration of existing expenditure. The Policy & Resources Committee believes there should be much greater focus on baseline spending and opportunities for savings.

890 That is a call for a structured, evidence-based review not, as this amendment asked for, arbitrary, across-the-board cuts. This amendment ignores that completely. I do understand the need for savings. I believe every single Member in this Assembly has to take responsibility for those savings. But this is not the way to do it.

895 In my first term I was told by a long-serving politician that we need to be seen to be doing something, even if that something did nothing. As long as the public can see us do something. I understand the desire to be seen to be doing something by going with this amendment, as Deputy Niles said. But, Members, I would rather be getting stuck in and doing something that works than visibly clanging about savings that will not actually solve the hard problems that we face. Real reform takes effort, time and courage. That is why this Budget already includes a £4 million savings target embedded in the Chief Executive's Structured Review Programme. That is the right way to find efficiencies, methodically, not through performance.

900 Yes, let us challenge waste and demand better value for money but, let us be honest, swinging an axe at the numbers is not reform. I ask you to vote against this amendment.

The Bailiff: Deputy Blin.

905 **Deputy Blin:** Thank you, sir.

I rise in support of this amendment and I do so not because I underestimate the scale of the fiscal challenges we face but because we have failed to respond to it in the way the community expects. But before I begin in full, I thought I would better get in before every Committee President has a chance to deliver a fair list of services at risk. Because if this debate is going to turn into a round of what we will be forced to cut, then I would like to offer now a different approach. One that says if we are going to list what we might lose, let us also list what we can do differently.

915 I would to start off by stating unequivocally, this amendment is not about cutting core services, it is not about undermining education, it is not about weakening healthcare, it is not about removing support from those who need it most. It is about the other part, something else: discipline, reform and restoring credibility.

We are heading for this stated information of projected deficit of £115 million in 2026 and that figure should help us focus minds. Yet, despite that, we are proposing to increase spending again without demonstrating what we already commit is being spent effectively. This cannot go on, it is not sustainable, it is not responsible and it is not fair.

920 Amendment 1 seeks to hold net expenditure broadly at 2025 levels, with sensible exceptions for areas already operating below forecasts or facing structural inflation, including education and formula-led social security. It is not austerity, it is a fiscal realism, a deliberate act of restraint while we reform now how we work.

925 But now to the heart of the debate. We have already heard a strong speech from the President of HSC, and just now also from E&I – again hence why I wanted to speak before the others – that this amendment will threaten service delivery. I do not doubt that these concerns are sincerely held, but I say again, as I have said before, I do not want to see the core services cut. This is not what this amendment seeks, this is not what I support. What I challenge is the reflex, the default, that core services must be first to go. It has become a historic pattern in this Assembly when Committees are asked to constrain spending, they reach immediately for the most visible, most alarming reductions. That is not strategic governance, that is operational fear.

930 The truth is this, we have options and just to give small examples based on everything around the threat and the risk. Just this week in healthcare, talking to a local practitioner who showed me

935 how their practice is already using AI-assisted triage to manage routine assessments and follow-ups. It is not theoretical, it is happening, it is saving money and it is delivering faster patient outcomes, freeing up consultant time and lowering administrative overheads. That is not just saving, that is service improvement.

940 Recently all Deputies received an email from a constituent about a UK radio show, which I did listen to, and it showed one of the parts of how hospital discharges were being delayed because only consultants could authorise them, even for non-complex cases, and the introduction of structured checklists and delegated authority could transform outcomes. Discharges would be faster, beds would be freed faster, specialists were used where they were most needed. This is not about doing less, it is about doing it smarter.

945 Then a third example, just recently Deputy Kay-Mouat and myself were in a meeting with a team from a gas provider and talked about the idea of how there could be the thought of using CHP, combined heat and power units, how our gas could be used right here in Guernsey to supplement our central grid. Talks in respect of the potential of E&I, could we support the grid, providing both electricity and heat exactly where it is needed? Cost savings, improved energy security, where the extension of the grid, where the electricity is weaker, gives it more efficiency and we work with existing organisations on the Islands. This is not a pipe dream, this is innovation, this is local, this could be deployed if we are willing to explore alternatives instead of defaulting to capital expansion.

950 If each Committee can come forward with a list of what will be lost, let us, those supporting this amendment, come forward with a list of what can be done.

955 Sir, I did not support GST when it was brought to this Assembly, not because I deny our fiscal pressures but because I believe in the right sequence. We should pursue economic growth. We should demand operational efficiency. We should deliver targeted savings. Only then, if the case is made, should we return to the public and ask for more. Amendment 1 reflects that principle.

960 Too much of our Budget process is now formula-led. Expenditure rolls forward without being properly tested. We must transition from spending that grows by default to spending that is justified by outcomes. We must become the Government that asks are we doing it well, not simply are we doing it again. I know this amendment may not carry today, but even in defeat I hope it sends a signal to this Assembly and to the public that there are some of us who are no longer prepared to manage decline through this complacency. We must govern with intent, we must reform with urgency and we must live within our means, not merely postpone the reckoning.

965 This amendment is not the whole answer, but it is an important beginning. It reflects or rather rejects the binary choice between more spending or less service. It insists on a third way, that is better value. So I do urge you to consider this and support this. Let this be the moment we draw the line, not through services but through systems that no longer serve us well. That time for change is now and it starts with this.

970 **The Bailiff:** You have already spoken Deputy Oswald.

Deputy Oswald: A point of order.

975 **The Bailiff:** You have missed the opportunity for a point of order, it has to be during the course of the Member's speech.

Deputy Helyar.

Deputy Helyar: Thank you, sir.

980 I think anybody at home listening on the radio will probably be shaking their heads because this does not augur very well, does it? We have heard it is all too difficult. We need more consultation. We have not had time. We need a new process. We do not have time to do this. It seems like the induction on this occasion for the States has been particularly successful. A lot of blue pills appear to have been handed out because we have just had a series of justifications for doing the same thing over and over again. Things are not going to change.

985

We are responsible for leading the Government. The service is not. We are responsible for setting the tone of how things are spent and what it is spent on. I am the only one standing from the group that created GST Plus as a plan and the only one still here in that P&R. Next year in Q2 we are all going to be asked to implement it and you can see from the numbers that we have in front of us already, we are going to have – sorry, sir, Deputy de Sausmarez, did you have something to say?

Right, next year in Q2, we will be asked to vote to implement the GST Plus package and you can see from these numbers that we will not have any choice. I believe, and the public certainly told me repeatedly while we were going through the process of discussing whether that was something we should implement, the States has to set an example, it has to lead, it has to show it is willing to live within its means.

One of the examples we were given only earlier by E&I was that we need to look after the swimming pool down at the bathing pools. Do we really need that? Do we need that Olympic level of standard for a pool of safety when a few hundred yards away children are leaping 20 metres off a harbour wall. Really, we need to be setting an example and we are not. It appears to me that one after another people are standing up and saying we have got no choice, this is just the way it is. It is not just the way it is. I am going to vote for this amendment and I am 100% sure that if it goes through it will not happen, because we are not in charge of the expenditure any longer as an Assembly.

What we say today in here, and what we deem should be spent and should not be spent, will get spent anyway, because it is now, I believe, beyond our control as a Government. We need to do something about this, because we do not have very long now to turn this boat around. I would really urge Members, please, send a message to those who are making these budgets, because it is not us, it is not a process which we lead. It is led by a very large service that we are literally sat on top of, like a rocket. Once you set the touch paper, it goes off. There is nothing you can do about it.

We do not set this Budget. The service does and we need to send it a message we cannot afford to bankrupt the Island by continually having our costs go up in this way. It is not appropriate to set a Budget where we spend more money every year that we cannot afford, because the public does not want more tax. I really hope that those in here who are saying, 'Well, it is inevitable, we have to do it', I hope they are going to support the GST Plus package, because many of them have said the opposite during the election campaign. Many who have said we need to save money are now saying, 'Oh, it is too difficult. Let us see what happens in Q2.'

I am going to support it because the public demands that we do this and because my conscience demands it too. I do not think we can, in all conscience increase tax, without setting an example. If it means cuts in services, so be it. So be it. If there has to be some acknowledgement within the public that if you do not raise tax you do not get the services, that is what we have to do. I am sorry, it is difficult, this is not an easy job. It is not going to be an easy debate next year.

Members, please understand that we are seriously running out of time to resolve this before other people from somewhere else will have to step in and make the decisions for us.

Thank you.

The Bailiff: Deputy Curgenven.

Deputy Curgenven: Thank you, sir.

A few months ago I took a call from someone who used to work at HSC. They told me a vulnerable girl had slit her wrists and gone to hospital begging to be sectioned. But whoever and whatever Department it was had told her to go away and sleep it off. Well, I was really worried about her, she does not receive help and [Inaudible 11.16.40]. So I phoned the police and asked for help. They were amazing and arranged for her to come to the police station. They too thought that she needed professional help to get hospitalised. I got a message not long after saying, 'It is not looking good, even with the police here, they are not going to accept her. If she does not get in, she will take her own life.' Thinking what more I could do, I phoned Deputy Matthews. Well, he did what he

did, long story short, the girl was sectioned and got the opportunity. I was told that had we not been involved, she would not be there..

1040 Sir, you are probably wondering what this has to do with this amendment. If we sit and think about it, does it not show the *[Inaudible 11.17.25]*? It might seem that way at first glance, but I argue the very opposite. Throwing more money at a broken system does not fix it. It strengthens inefficiencies and it hides the cracks. Throwing money at a broken system only compounds the problems. I thank Deputy Inder for pointing out it is simply broken and not enough money being
1045 thrown at it.

As an organisation, we never stop, down tools, take a look around to see where they are at. We then ask: do you really need this? Why? Does that work? How can we fix the systems that are failing people, such as the economy? Instead, we simply ask for more money. We behave as if we can simply tax, tax, tax the money we make, but we cannot, we should not.

1050 If you want to talk about the vulnerable and how we are failing them, because we are, I am open to it but please do not say that cutting the budget has made any meaningful difference to the *[Inaudible 11.18.43]*.

The Bailiff: Deputy Ozanne.

1055 **Deputy Ozanne:** Thank you, sir.

I rise because I am conflicted about this amendment. I recognise a lot of what Deputy Sloan and, indeed, Deputy Helyar have just said, that there are concerns around the budgeting process, whether we truly are in control of that, and that has been compounded by the timing this year of
1060 an election that has meant that many of us have had to go through an induction, if they are on Committees, at the same time as interrogating those budgets.

There is no doubt in my mind that we do need, as Deputy St Pier has already alluded, to look at the process of timing when we agree our budgets. But I am also concerned that this debate is a pseudo-debate for those who are pro or anti-GST. I want to name that, because I think that is
1065 disingenuous to what we are really here today wanting to do. I want us to look at whether that really is what is going on here or not.

I do want fiscal responsibility. I want us to be accountable, as individuals and as Committee members, for every penny in our budget. But hearing what Deputy Rouxel has quite rightly said, taking sweeping cuts to budgets without an iterative process that involves Presidents and their
1070 Committees, and sits down and talks with us about where those cuts could generally be made, to me would be highly irresponsible. It is playing to the gallery. What our Islanders really need is wisdom, accuracy and people who will actually take brave, informed decisions.

Where I am landing in this debate is to reject it, to note what is being said, to hear the passion of what has been said, but to ask and plead with Members not to make this into a pseudo-GST
1075 debate, because that needs to happen when we have got all the facts. There is a lot of information we still need, I believe; particularly the review findings that Deputy Parkinson is leading. Let us leave that debate until the second quarter, let us focus today on what we can rightfully do with the information we have here today and commit to a process in the future that will ensure that we have timely and informed budgetary processes that we can move on into.

1080 Thank you.

The Bailiff: Deputy Camp.

Deputy Camp: Thank you.

1085 Clearly there have been some great speeches ahead of me and there is some trepidation trying to follow some of them, particularly Deputy Helyar. When this Budget was published, after hearing it described as a holding Budget and even described it as the last easy Budget, I became uneasy. I believe we all should too. Easy Budgets only exist when money is plentiful. This is not where Guernsey is right now. (**A Member:** Hear, hear.) Our sources of revenue are stretched. Our principal

1090 industry is at best stagnant, the cost of the public service continues to climb with no ceiling in sight, public sector pay is rising faster than inflation and we are regularly warned of the pressures of an ageing population.

So why do we continue to budget as though money is endless? Because unless we discover a pot of gold at the end of a rainbow, we have now reached the point where the public is being told to prepare for higher taxes. Before we even start down that road, we owe people one thing first: proof that their Government can live within its means. Right now, we are asking Islanders to show restraint while Government behaves as though restraint is optional.

Someone said to me recently, the best time to be a Deputy would have been before Zero-10, when it was all spend, spend, spend. My answer is it still is. This amendment matters because we must be willing to signal to the public that we can begin to live within our means. You only have to glance at comments on social and traditional media to hear what the public is saying. We will consider doing our part, but only once you have shown you are doing yours.

A Facebook poll, I know we hate them – obviously the people of Guernsey speaking on social media is a terrible thing – but a poll conducted over the last 24 hours, with nearly 200 responses when I last looked this morning, overwhelmingly supported this amendment by 87%. This is not a population rebelling against tax, this is a population demanding discipline. So why a spending freeze and why now? Deputy Sloan and I, despite accusations to the contrary, fought long and hard about what we could bring that would honour the commitments many of us made in June to restore financial discipline. We are asking this Assembly to support, essentially, a freeze at 2025 spending levels. Not to slash services, not to punish Departments, but to pause, reflect and to show that we know the difference between what is essential and what has simply become habitual.

Government does not have a revenue problem as such, it has a spending discipline problem. We have a promise from the public sector of £4 million in savings, mostly from reducing consultancy. If we can find £4 million by cutting consultants, the obvious question is why was it being spent in the first place? Calling it a saving implies effort. In reality, it is an admission of waste. As we all know, it is only a small step compared to the fiscal discipline that is still required.

We have heard the Budget itself is part of the problem. Our budgeting system is a problem. Every year we start with last year's spend, we assume all of it is essential, we call it business as usual. We increase it for inflation and then add new spending on top. That is not budgeting, it is photocopying. What we need is zero-based budgeting, and I hope Deputy St Pier's promise to look at how budgeting is done is heading in that direction. This would require Departments to justify every pound from zero, not from what they had last year, plus a little bit more.

At the moment Committees are rewarded for spending every penny they are given and penalised if they try to save. We have heard it, we cannot pause spending, services will collapse, Timmy will not get his medicine, Mrs Le Page will sit freezing in her home. As someone who sat at home and listened to these Budgets year in, year out, it is always the same. With respect, as I believe then and I still do now, that is a motion instead of evidence.

A spending freeze is not shutting schools, it is not cancelling chemotherapy. It is asking the public service – as families, businesses and charities already do – to prioritise, innovate and stop treating inefficiency as compulsory. Efficiency is not the enemy of compassion. Fairness matters. It is unfair and frankly tone deaf to ask pensioners, working families and small businesses for more tax while millions in consultancy are signed off without challenge. It is also unfair to claim that a new tax will solve all our woes.

Jersey has GST and today it is being warned that public sector cost is surpassing revenue and that cuts are needed. Sound familiar? It is also unfair while Committees continue to work on a business as usual plus model with minimal scrutiny and no performance checks. Before we pass the hat around the Island, let us check our own pockets first.

The amendment asks for two simple things. That Committees strive to live within existing budgets, only seeking additional funding from P&R where a genuine and evidence need exists. That this Assembly sends a clear signal to the public that leadership begins with restraint. This is not

about dismantling public services, it is about restoring public trust. We cannot ask Islanders to make sacrifices while Government refuses to make choices.

This is also about credibility, because if we show restraint now, if we prove that we can manage what we already have, then when we return to this Assembly to talk about new taxes, the public will have reason to believe two things. First, that they are genuinely necessary and, second, that every pound raised will be spent wisely, not simply absorbed into more of the same, which has got to be the belief at present.

Restraint earns trust. Trust earns consent. So I say free spending now; review, reform, then – and only then – if the numbers still do not add up, we will at least be able to make the case for tax honestly and maybe even take the public with us, because they are the ones who fund this behemoth and too often their voices are left outside when decisions are made in here.

The public is not unreasonable, they are simply asking us to live by the same rules we asked of them.

Thank you.

Several Members: Hear, hear.

The Bailiff: Deputy Parkinson.

Deputy Parkinson: Thank you, sir.

I want to start with the £115 million cash outflow, which Deputy Sloan talks about and which, in fairness, he picked up from the Budget Report. This is a figure produced by Treasury. That £115 million cash outflow is very largely two things. One is the £40 million Pillar Two tax receipts, which will not be received in year, and the other is the £69 million of capital expenditure, which will be funded by borrowing. Those two figures add up to £109 million out of the £115 million. But for those figures, essentially, the Budget would be looking much more balanced.

Now, the Pillar Two tax receipts, to start with, are prudently forecast. I will be talking about them more later under another amendment. But I think it is very reasonable to say that the Pillar Two tax receipts for 2026 will be probably at least £40 million. It is true that the cash will not have come in but that is a cashflow problem, not a Budget balance problem.

Borrowing to fund long-term capital investment is just sensible. It means that generations, which will benefit from the project that is constructed, help to pay for it. We all use borrowing in our normal lives. Those of us who are lucky enough to be homeowners probably bought our houses with the help of a mortgage to spread the cost over the years in which we will be able to enjoy the house. Borrowing money to fund capital projects of the States of Guernsey is also sensible. Clearly, I think we do not want to borrow money to fund revenue deficits but I think the States has decided to borrow to invest in capital assets. I think that is an entirely reasonable place for us to be.

Now, the States used to prepare its accounts on a cash basis. This is how it was done when I was Treasury Minister. This resulted in distorted investment decisions and mad scrambles to spend Committee budgets in December each year. We moved to an accruals basis to avoid some of those problems and to allocate income and expenditure to the periods in which they were earned or incurred. That is entirely sensible but it does mean, of course, that there can be a disconnect between when money is earned and when it is actually received and, conversely, when expenditure is incurred and when we actually have to find the cash. It is much better to consider accounts on an accruals basis and to relate these items to the periods for which they arose.

This is an annual Budget, sir, relating to a single year. We do need fiscal policies which will achieve medium-term balance, of course, and there will be fluctuations in cash flows. That is normal financial management, not something to be a cause for alarm. Next year, we will be addressing the medium-term fiscal policy, and the Assembly will be offered two credible options to bring in more revenue for the States of Guernsey and we will have to make choices. It could be GST Plus or Corporate Tax reform or indeed some mixture of the two.

Meanwhile, the P&R Committee have not had time to make these fundamental decisions for this Budget. We were all elected only four months ago. The consequences for this Assembly are that we are being presented effectively with a holding Budget, which will allow Committees to continue to do the essential business of Government, while we work, very actively, on the fiscal options to restore medium-term financial balance, which Members will be seeing in the first half of next year.

But the business of Government does have to go on in 2026, before we get to those debates and this Budget is set to allow – it is not overly generous, all Committees will be able to confirm that they did not get the money they wanted but they have, hopefully, enough to be able to carry on, and they will have to make some spending decisions within their budgets and prioritise. That is all entirely natural. But we have not had time to bring in zero-based budgeting as Deputy Camp wishes. Now I was an advocate of zero-based budgeting back in 2012, and I still believe we need to be able to get there. But to get there, the first step we had to do was basically to put our accounts on a proper basis, and we adopted public sector accounting standards. That meant revaluing all of the assets the States own. I have to tell you, back in 2010, we could not even list them, never mind value them.

It meant a lot of work to put the States' accounts in a condition where you could start to think about, well, what should we be spending? The size of Government, what services Government should be providing, is going to be a part, I think, of the debates that are coming up next year. These are very fundamental questions, of course. I know, for example, our colleagues on the Health & Social Care Committee are considering what the public health offering should be in Guernsey.

Like many other Committees, the potential to spend more money is limitless, so what is it that we should be providing? Those are important questions and we will need to be discussing them and debating them next year. But here, in November 2025, it is not reasonable to expect us to be in a position to do that. We have had four months in Government and Committees have only just basically completed their induction sessions. So we are in a sort of holding pattern. This Budget will allow us to continue to provide essential services while the necessary reviews to establish the medium-term fiscal policy are going on. They are going on at pace. We are working very hard to develop proposals to bring to the States. These decisions will come before Members as soon as practical. But the time for those longer-term decisions is not now, we have not had time to prepare for them and put considered papers and options in front of Members. This just allows us to keep the lights on for the start and rest of 2026.

So I would urge Members to reject this amendment. I understand the sentiments behind it. Yes, we do need to get a grip on public expenditure – this is very important – and we do need to have sensible revenue-raising policies, which will allow us to balance the books over the medium term. There is nothing fundamentally unsound about this Budget. It is not actually far off a balanced Budget when you take out the factors that I have discussed in this short speech.

That is all I have to say, sir. There is a lot of gesture politics going on, I suggest, in this debate. This is really not the time to be making extravagant claims about Government, the size of Government and our tax policies. Please reject the amendment and allow us to consider the proposals to put before you to enable you to make sensible decisions.

The Bailiff: Deputy Bury.

Deputy Bury: Thank you, sir.

Just to be clear, I am speaking in my independent capacity rather than my presidential capacity, as ESS is minimally touched by this amendment. I will speak to that in part, though, and obviously I am doing so with the facts of the matter.

I think as the debate has unfolded what has become really clear, almost without exception, is those in support of the amendment are not involved in frontline service delivery. Those in opposition are, and that is the fundamental difference here. When we are told by the proposer that this is the reality, I do find it a little bit rich that they will then be able to turn away from the reality for all of 2026 and not be left to deal with the consequences of their amendment.

Words that I have in my notes have been used already, arbitrary, there is no detail to this, there has been no consultation with Committees, salami slicing, it is short-sighted in my opinion, short-term savings, being seen to do something but without any indication of what the potential long-term effects and pains are of this. We all know what they are because we have experienced them over and over again. It is always things like arts and culture that go first, maintenance, and these things come back to bite us in the end.

I have not seen much logic and I would like to ask Deputy Sloan if he could explain in his summing up, what is the rationale for ESC retaining their budget as is? Does he have particular insight that ESC is run better than any of the other Departments that are being targeted? *(Laughter)* I do not know, because there is no explanation to that.

Obviously my own Committee, the formula-led budget has been left as is, but then in the opening Deputy Sloan described formula-led budgets as a loss of control. I am questioning why that was left. I am happy that it was. But, yes, there is no real detail. A part of my Committee's budget is touched and there is no clear indication of what things they would like us to stop doing.

Having had a look at that small part of our budget, it is primarily pay and third-party grants, so commissioning to charities. So having had a very quick look, because as a Committee we have not had the opportunity to sit down and really go, 'Okay, what would we stop?' because that is what is being asked of us, despite the narrative coming out that that is not what is being asked of us.

We are definitely spending money on things so we would have to stop spending it on some things. So perhaps it is Guernsey Employment Trust helping people with challenges be economically participative in work and contributing to the economy, same for Grow Limited. I am not trying to do the list of things that we will have to stop, I am genuinely asking which ones is it? Because the majority of that budget is pay and that is not within our gift. If it were to suddenly be put within our gift we are gazumping the work that the Chief Executive has assured us that he is just about to undertake. I think a central approach and a measured approach from the Chief Executive is surely the better way than all of us scuttling off and deciding which staff we can get rid of or pay less. That seems like a dog's breakfast.

Deputy Rochester mentioned, sequencing. Sequencing is important and Deputy Sloan mentioned this, but I disagree with his approach to sequencing. We have the Chief Executive undertaking this pay review now, but we are now looking to just slice through that in an unplanned, an unmeasured way.

There has been lots of talk about responsibility, fiscal responsibility, and of course that is one of our primary roles, but we have responsibilities wider than that as well. We have social responsibilities. It is not just about money. We have to look after our community in various ways. I think it is a very narrow view to talk about responsibility from this angle.

The explanatory note, it says that the intention is not to undermine essential services. It might not be the intention but it does not mean it will not be the impact. These sorts of cuts always hurt those people at the sharpest end of things already. So health services, for example, wherever those cuts need to be made, well, if you have got money or a decent job, it does not matter, does it? You can go private, use the health insurance that your corporate employer provides to you. So are we going back to the Victorian times? If you are poor, you are poor. I am sorry, it sucks to be you. As Deputy Helyar said, so be it.

I think the language that we use is really important. There is a lot of talk about spending. Deputy Sloan mentioned every pound we spend is a choice. Well, it is, but are we spending or are we investing? The assumption that not spending or doing nothing is the cheapest option is often inaccurate and incorrect. It is borne out to be quite the opposite, it costs us more in the long run. An example of that is the waiting list initiatives. In ESS, we do have lots of people who are not in work due to ill health, 40% mental health, 40% musculoskeletal, often waiting for operations. It is that longer-term view, if they have their operation, they are no longer in pain, they will be back to work and contributing economically. We have to think more broadly than just this one year.

I think the public do want fiscal responsibility; they do. I am not denying that that is what they have asked for, but it is a different story when the rubber hits the road, or when the weeds hit the

pavement. When it is their gran, or their partner, or their child that needs the health service or needs the benefit, it is a different story. Polls on Facebook might say one thing, but if they realise the impacts, the potential impacts of cuts, then it is a different story. I know that from sitting on service delivery committees last term and this.

1300 It is a strange narrative to talk about our restraint as though our restraint has no impact on the public. It will. I think just going back to the investment point, Deputy Blin mentioned about some of the conversations he had been having with GP practices, doing things more efficiently, more smartly. They will have had to invest in order to do that. They did not acquire the AI free of charge, they had to invest in some technology. We often have to spend to save.

1305 I think I have covered everything, sir, but, as I said, I am keen to understand the logic behind the ESC carving out. I think the logic around the other Committees that have been carved out has been explained more clearly. I would just go back to that question to ensure that it is answered in summing up.

Thank you, sir.

1310

The Bailiff: Deputy Leadbeater.

Deputy Leadbeater: Thank you, sir.

1315 There have been some interesting and really good speeches today, Deputy Rylatt's maiden speech I thought was outstanding. Deputy Rochester, Deputy Oswald, and I think the standout speech from me was just now from Deputy Bury. As always, she genuinely hits the nail on the head.

1320 There was absolutely zero consultation – I think everybody accepts that – with the principles of the amendment, if they had come to our Committee, if they had gone to Health & Social Care and said, 'This is what we want to slash from your budget, how would that look like? What would you have to do?' We could have had conversations and they could have had an understanding of just how difficult it would be for our job, making our job more difficult, without an understanding of it. I think it has been laid with good intentions. I do think it is a bit of a show pony amendment in all honesty, because, as has been pointed out, nothing is really good. We cannot live within these means that we are told to. We had our first meeting to discuss the Budget submission on 17th or
1325 18th July, just after we were formed as Committees, we had no chance to be able to consider any sustainable savings at this point. The timing of the election has been pointed out and the timing of the Budget process has completely precluded any meaningful work in these areas.

1330 Now my Committee, the same as every other Committee, if you are asking for anything extra at P&R, there was a direction went to every Committee, you have to justify why you are asking for this. Service needs went away, they came back with justification. We had separate meetings where we interrogated them individually but you are asking for this – you have to justify where you want this because we have got to ask P&R and we need to be certain that we have done our due diligence, we have done our work and we are asking for the correct amounts.

1335 Forget about long-term savings and doing things differently because that comes next. We have not had the opportunity to do this and I think we should completely focus on that point. We have loads of new Members, the bringers of the amendment are new Members, they do not have a full understanding, they might be very intelligent people and very experienced in their fields and in life, they are not in politics.

1340 Deputy Sloan might sit there laughing but this is not a laughing matter. It is certainly not a laughing matter from my point of view. I would like to know, where are we going to cut at Home Affairs? Is it going to be Domestic Abuse Strategy? The Sexual Assault Referral Centre (SARC)? The Economic and Financial Crime Bureau (EFCB) and the Financial Intelligence Unit (FIU)? Is it going to be in community policing? Is it going to be the Roads Policing Unit? Is it going to be the Public Protection Unit? Is it going to be Fire and Rescue Service or Joint Emergency Services Control Centre (JESCC)? There is no indication of where we are supposed to make any savings, just like that.
1345

Health & Social Care, Deputy Oswald pointed out de Havilland Ward and, from my point of view, that was the best piece of work that HSC achieved last term, because it has had a meaningful impact

on waiting lists. As pointed out, it has not dramatically reduced them, because they are building so quick, but it has helped stabilise them; it really has. If we have to cut areas like this, then we are just going backwards, completely going backwards, and we are never, ever going to make any progress. I want to save money, of course I do, if we can reduce our budget.

Deputy Inder pointed out wrongly before, by the way, that the Home Affairs budget had doubled since 2018. It has not, it was £33 million in 2018 so it has not doubled, we have just checked. But of course we want to make savings. We want to do things differently. We have got strategic ideas within the Committee that we want to discuss, we want to take forward, we want to discuss with P&R and see what we can achieve going forward. We cannot do that in five minutes.

Things will be cut. Maintenance will be cut. The reason that we keep putting roofs on buildings is because we do not maintain them properly. We do not clean the gutters. We do not do the basic stuff and this will just get left. Training, continued professional development will get cut. So all we are going to be doing is telling the public, 'Yes, we are going to slash these budgets' but in the long term it is actually going to come back and kick us in the backside, because it is going to be counterproductive.

What we should be saying to the public is, 'Okay, yes, we understand where we are now and we understand this approach' but the zero-based budgeting and all these kind of things that people are talking about are not contained in this amendment. This amendment does not do that. All it does is slash budgets and slash budgets without any justification. We need to be sending the message to the public that we are fiscally responsible and we are going to do things properly. We are not just going to jump ahead and just pick numbers out of the air and say to Committees, 'You have to slash your budget by that amount' with absolutely zero understanding of what that would mean, because this is what this amendment does.

Deputy Bury pointed out that those that are serving on Committees that will be affected are those who are opposing the Budget. It is because it is going to make our life difficult and, more importantly, the officers that work within our Committees, the frontline staff and the services they provide. That is where it is going to be hit, that is where it is going to matter. Adult services was picked out by Deputy Gollop. Adult services is one of the Cinderella services within our Government. It does not have enough resources as it is. There has been no provision in there for years and years and years. We do not have enough money, it is full of agency staff. We are going in the right direction and it is doing a great job. There has been some good work across the adult disability spectrum in the last few years. But there is a lot of firefighting as well.

Firefighting within budgets is one thing, but the firefighting we need to do actually real-time is go out and fight fires, not within Committee budgets. This could have an effect on the fire brigade. The fire brigade needs some restructuring, there could be some risks that they are carrying. We have gone to P&R to say, 'This is what we need P&R, just the same as Health & Social Care'. P&R have not just turned around and just signed it off. We did not get the exact amount that we asked for. We got some of what we asked for and we have already had to go back to the services and say, 'Look, we have asked for this, you have justified this, we have only been given this.'

There is already work going on now to understand how that is going to look. This is just a complete kick in the teeth to the services if this is on top of it. I think it is really irresponsible. As I say, I do not think it was intended to be irresponsible as has been pointed out by more than one Member. But the unintended consequences will be that services are affected, people are affected, lives are affected and we will set ourselves back.

I think we need to be responsible, we need to take a pragmatic approach to this and we need to need to be looking at long-term sustainable structural savings within our Committees, and we cannot do that overnight. We can look forward to the next Budget process when we can hopefully have enough time to work towards some changes and start to bring some of these budgets down on it.

I urge Members, please do not support this amendment. If you are thinking it might look good on Facebook and you might get loads of likes for it, that is one thing, but we are not here to get likes on Facebook, we are here to run a Government.

1400

The Bailiff: Deputy Strachan.

Deputy Strachan: Thank you, sir.

1405 Before I make my comment I just wanted to put on the record a response to Deputy Inder's comment. He referred to the HSC budget increasing from £115 million in 2018 to the proposed £261 million in 2026. This comparison ignores the significant transfer of £54 million of transferred services from the Health Fund, previously it was in the ESS budget, to HSC in 2022. However, obviously our budget has increased.

1410 There have been quite a lot of comment about what we Deputies are doing in Committee, but I have to say the description of some of the comments I do not recognise as a description of what we are actually doing in the Committee for Health & Social Care. We are continually looking at what we are going to do for the next four years and at the opportunities for efficiencies. But the irony of cutting the Budget in this way is that many of the opportunities, and there are opportunities, many of those that we see, those tools, will be cut by this amendment. For example, we are about to
1415 implement an EPR, electronic patient records system. We effectively are going to have a Ferrari but we are going to have to cut the staff so we are going to be driving around in a Ford Focus. That support for technology is absolutely key for us to make those efficiencies that you say you seek.

Similarly, those easy-to-cut things are public health initiatives. They are geared to make us healthier for longer, to have a long-term impact on the HSC budget. That is not something that we
1420 can cut next year. In fact, we will cut those initiatives which will impact our budgets in the long term.

Now, I can make here a commitment that we are focusing within the Committee, and I, as a Deputy, am focused, on both short, medium-term, and long-term savings. As Deputy Bury said, it is not just necessarily savings in healthcare, but when we deliver healthier outcomes that has a direct impact on our workers, our parents, our volunteers, our community, getting back to do what they
1425 do in our community and making us tick.

Thank you.

The Bailiff: Deputy Montague.

1430 **Deputy Montague:** Thank you, sir.

I was not going to consider standing to speak in this amendment, but some things have been said about Education, Sport & Culture and I thought I might need to. First, I would like to refer to some comments that my colleague Deputy Inder made. First of all, he said that we spend only 1% of our finances developing the economy. I would like to ask what he thinks we do in education
1435 (*Laughter*) in terms of trying to support youngsters and adults to develop their skills. But, also, when you said that libraries will not close, libraries are already having to cut their opening hours. In fact, if you do not look after their maintenance those libraries will fall down.

But moving on to the amendment, it has put me in a very difficult position. As we have heard, ESC had their extra requests ring-fenced and that does put me in a difficult position. I am looking
1440 forward to finding out what your thinking was, Deputy Sloan. It does worry me that there is something slightly performative about this amendment. Deputy Camp used the phrase, 'giving a signal'. It is important we listen very carefully to the public and what they are asking for, but I agree with Deputy Leadbeater that we are here to make some tricky decisions, some very difficult decisions. I also agree with Deputy Parkinson that there is an element of gesture politics here.

1445 In some sense, particularly because our extra request has been ring-fenced and protected, it will be quite easy for me to vote for this, sir. But like everyone in this room, there is something about this spirit of the amendment that I genuinely support. We are in a severe financial position and I wholeheartedly support where Deputy Helyar is coming from in that regard, and the difficult decisions we are going to have to make in Q2 of next year.

1450 I think Deputy Camp is absolutely right. We do need to make those savings and efficiencies before we try to explain to the public why we need to ask them for more revenue on whatever form

of tax we eventually decide on. I particularly like Deputy Rochester's comment that we need to open the black box of cash limits. It is an interesting phrase I heard ex-Deputy Soulsby mention the other day. It is a strange term, 'cash limits', they are neither cash nor do they seem to be limited. But we have to demonstrate that we are giving value for money for everything that we do.

I would flag that our move towards creating governance boards for schools, for those 20 educational settings, is not only designed to improve those schools, but hopefully it will deliver some savings and long-term efficiency, because the temporary Committee that will be chaired by Deputy Bury will be able to lift the lid, not only on the central services that are provided but also on the services from the Education Department.

I think it is important, sir, that the public know that we are not just same old, same old, carry on as normal. We are genuinely going to be looking at those substantial long-term savings. There is a danger with savings, as I have recently discovered. The Guernsey public, and I obviously as a member of that for many years, have been saying to politicians, 'We want you to make savings.' Whenever politicians present the savings they want to make, Guernsey public very often say, 'Yes, but not like that.' They are not easy to swallow. The previous Committee for ESC did attempt to make some savings by attempting to close Herm School and change the funding arrangements to the education psychologists. Both of those were not deemed acceptable.

Just recently, our Committee had to make a very difficult decision to fully suspend the provision of the International Baccalaureate Diploma Programme. People shake their heads at that. My daughter and Deputy Inder's daughter both went through that programme and it is very good. But we had to make difficult decisions and we will continue to make those difficult decisions.

If I can get to the heart of what I wanted to say about the Education, Sport & Culture element. When I look at the ring-fencing that occurred and what we have asked for that we got, we had asked for extra funds to support our communication, interaction and autism service. We asked for extra funds to have some family support workers to enable young, vulnerable youngsters to get into our schools. We had to ask for extra funds for our educational psychology service and for additional learning need co-ordinators for our most vulnerable students. When I look at those, I think if that was the same for any other Committee, that elements like that have been cut, I do not think I could be in support of this amendment. It is all very well me saying I am all right but I think, in solidarity with the Presidents and the other Committees, I am not minded to support this amendment.

I think it is worth saying as well that all of us on these Committees, like Oliver Twist, we did ask for more. We only got 38% of those extra requests we made. We hoped to secure funding for the Language Commission in order to save Guernesiais, our local language. In fact, I would encourage everyone, sir, to read *The Guernsey Press* today, where there are some very interesting articles about just such thing.

We also wanted to support St James and the valuable arts work that they do. But, sadly, because we only received 38% of the actual request, we have had to lose out on that as well. I would remind Deputy Sloan that on 3rd September when we had to do the Education, Sport & Culture update, he did reprimand the Committee on the small amount of money we were able to supply towards supporting the arts.

In summary, sir, I would like to say that I am grateful that this amendment has been proposed. I think it has been a really important discussion that we have had. I am not minded to support it because when I look at the ring-fencing that we had in our Committee, I am not willing to say to other Committees. I am happy for those to be lost as well. I take on board what the other Presidents have said of those Committees and I am not minded to support this amendment.

Thank you, sir.

The Bailiff: Deputy Vermeulen.

Deputy Vermeulen: Thank you, sir.

What a lovely debate. We have heard both sides of the argument. We have heard how we could not possibly do things any differently. We would have to drop swimming pools and do without diving boards and all the rest, but the fact is we have also heard the other side which is saying, 'We have to be financially responsible. We need a bit of good housekeeping. We have to live within our means. We cannot continually spend money which we do not have.' That is going to get us into trouble and we are well on the way.'

I do not really want to mention GST. I am a massive opponent of GST. I think it is completely wrong for Guernsey but the fact is that they are having to consider it is because we have not been careful enough with our money. I had great expectations this year for this new Assembly and I attended a swanky presentation at the Performing Arts Centre. I do not know if it was Future Guernsey at the time or Forward Guernsey but they had fantastic advice from the top financial brains on the Island. People I respected.

After the presentation, I mentioned to one of the members of P&R that were in that party that I did not actually agree with 75% of what was being said. I really was quite surprised at how alarmed I appeared to be. More fool me. Of course, the 1% savings each year have not happened and it is vital that things like this really come from this Assembly if P&R cannot grasp hold of that nettle. I am disappointed with the Budget as presented, so I was delighted to see not one but five in there, so this amendment in particular.

In the past, I have suggested caps on the number of people that we employ and various other financial caps but this is not really a cut, is it? This is a very in-detail look and it is just asking us to do what we did at 2025's rates. That is not impossible and I am going to be supportive of this amendment because I think we are, sadly, as I have mentioned, out of control. We have lost the control. We have lost the financial discipline to say, 'Hang on, we just have not got the money to pay for it but we have got this in mind.'

So I think Deputy Sloan and Deputy Camp – both very experienced professionals by the way – are on to the right thing here. I think they are being very reasonable by pegging it. It is not a cut. It is pegging. In business – I ran a business for many years – that is usually what businesses on the Island do. They would soon be in trouble, they would soon fail as a business, if they kept spending money that they did not have so this is quite responsive.

Does it mean that the world would cave in and the sky would turn dark? No, it does not. It just means it forces us that we have got a cash limit and we have got an amount of budget and you have to look at how you did last year and try and emulate it as best as possible. It forces you. It gives you that executive direction that P&R do not seem to be prepared about.

I attended, sir, your fantastic presentation on the Budget before today and, through my mind through the whole presentation, I just kept thinking, 'That is all very well but, last year, we were a little bit generous with the financial pay awards which we do not deal with as Deputies but P&R deal with.' I am not having a go at P&R but this is our senior Committee and we do expect certain things from our senior Committee.

I think, if successful, this amendment would help them in their pay negotiations for next year. I think it is very pragmatic, I think it is realistic. I would urge other Members to grasp the nettle. This is not an easy job. This is not an easy decision but it is far worse to say, 'Carry on spending' even though we have only –

Deputy Oswald: A point of correction, please.

The Bailiff: A point of correction, Deputy Oswald.

Deputy Oswald: Yes, sir, just to correct the Deputy's speech, he points that there is the pegging at previous year's prices. In fact, as I pointed out in my speech, the HSC budget will take a loss because of inflation pressures and particularly medical inflation, which runs at a higher rate than standard inflation.

1555 **Deputy Vermeulen:** I do not really take that on board. I realise there is inflation but your budget is pegged. It is the same. *(Interjection)* Yes, so I do not really take that on board.

Like I said, it is not going to be easy if this amendment is successful, which it should be, but that is what we signed up to. When we became Deputies, we knew it was not quite mission impossible but we knew we were going to have to make hard decisions and here is one today, which I would hope that you could all vote for. I am certainly going to vote for it and, if I could, I would vote for it twice, sir. *(Laughter)*

The Bailiff: Deputy Matthews.

1565 **Deputy Matthews:** Thank you, sir.

I was not really going to go into a lot of detail about the HSC. In fact, I think that has been done very successfully by my President, Deputy Oswald, and I think that has covered the main aspects of the Health & Social Care implications that the amendment would produce. But I would like to speak more individually and, in a lot of ways, I have an enormous amount of sympathy with the intention or the headline intention of the amendment to just freeze things as they were.

It is just the approach that has been taken by taking a numerical freeze is just too simplistic an approach to be effective. In actual fact, in a lot of ways, this Budget, from an HSC point of view, has largely been prepared under the previous Assembly. Most of the work on this has been done under the Committee that I was a member of under Deputy Brouard, and the standing instruction for that Committee essentially was, in revenue terms, a freeze because the instruction has been that service reform would be carried out through capital.

That is through capital investment in the hospital modernisation Electronic Patient Record Programmes and that the Brouard approach was to say not to have a freeze on it on a service provision level that we provide. But what that effectively means is an increase in the expenditure. What I would like to thank the proposer and seconder for this amendment for is demonstrating how difficult it is sometimes to explain that, and that is something that this Committee has been very keen to do. I think we need to do a much better job at being able to explain what are the real drivers of the increases in costs that we see because we know it is partly led by demographics, by inflation and by changes in demand.

I think we need to do a much better job of explaining that for transparency so that people can understand what is driving these cost increases because we are not, as some would say, going out and splurging lots of money on doing lots of new things that we were not doing before. The instruction is to maintain the level of service and not have a drop in the level of service. If you have a change in demographics, you have more people who require that service, and then that will cost more. So I think that there is much more work for us to do in terms of explaining how these cost rises come about.

I would have more sympathy with an amendment that had a functional freeze act. Instead of saying, 'Freezing the revenue amount', to say something like, 'Implement a pay freeze.' That is the sort of thing a business would do in an emergency. It would implement a pay freeze and stop the pay input. That would not be for the Committees to do. That would be a P&R thing to do. It would be deeply unpopular, there would be all sorts of implications of doing so, but that would be one mechanism you could do.

You could introduce a recruitment freeze and just say the headcount is going to remain equal. There would be benefits to doing that because it would have all sorts of benefits in the housing market to do it. But just to simply freeze the revenue is, to me, too much of an unsophisticated approach and this Committee for Health & Social Care has committed itself to really look at what we can do to both drive further efficiencies and also to look at alternative ways that we can deal with revenue funding for healthcare provision.

I think that is the right way to go about this. That is the approach that I support and, for that reason, I have an awful lot of sympathy with the amendment but I am not able to support it.

Thank you.

The Bailiff: Deputy Humphreys.

1610 **Deputy Humphreys:** Sir, I am brought to my feet by my personal belief but also the comment by Deputies Inder and Vermeulen and the criticism they have laid at the feet of my Forward Guernsey colleagues. Forgive me, sir, I have not had the time to review everyone's manifesto and therefore hold everyone personally to account for their manifesto promises in the same way that they have done to us.

1615 Forward Guernsey members have made ourselves easy targets by being so explicit in our aims and on behalf of myself and my Forward Guernsey colleagues, I remain committed to the promises in our manifesto but through real savings rather than arbitrary cuts.

1620 Sir, Deputy Rylatt already mentioned his commitment and, alongside him, I undertake to hold the Chief Executive's feet to the fire to introduce and promote long-term savings and efficiencies properly and with efficacy, leading to long-term results. Let us not forget the Chief Executive has only been in the office very slightly longer than us.

1625 If I am honest, I personally did not feel fully enough informed to make a challenge and input into this Budget process. Maybe I should have studied harder and longer. I still consider myself to be a newbie in training but I think I get better each day. I commit over the 12 months to have a louder voice, to encourage support through savings alongside as part of my role on Economic Development, effective promotion and support of growth in our economy. We cannot simply save ourselves out of a crisis. Neither can we tax ourselves out of a crisis.

1630 Deputy Blin makes some really valid points about efficiencies and changing the way we do things to make savings. These must be pursued. But I agree with Deputy Bury. In reality, these things come at a cost and the type of changes also take time. They are unlikely to be delivered during 2026, the period to which this Budget applies.

1635 Fiscal prudence is something that the Guernsey public wants. I am sure no one in this Chamber denies that, but the blunt implement, that is this amendment, is not, in my opinion, fiscal prudence. It is precisely the opposite. Listening to the debate, I have some sympathy with the amendment and, like Deputy Matthews, believe that perhaps a more specific line by line thought-through amendment may have been more palatable. I will therefore not be supporting the amendment but remain committed to my principles over the next Budget.

1640 **The Bailiff:** As no one else is rising to speak on Amendment 1, I will turn to the Vice-President to speak to Amendment 1, please.
Deputy St Pier.

1645 **Deputy St Pier:** Thank you, sir; and thank you to everybody who has contributed to an interesting debate.

1645 Deputy Rochester kindly offered to help with the process of budget reform, and that is an offer that is very generously made, and we would be delighted to accept the assistance and the experience that she can offer. She also described this amendment as providing a short-term damaging solution for a long-term structural problem, and I think that neatly sums up what many others were saying as the debate unfolded.

1650 Deputy Inder, sir, picked a period and highlighted the percentage increases between 2018 and 2026, including Economic Development a 100% increase, of which during of course he was President over that extended period. Sir, he did say that if we could agree to turn off this States of Deliberation for a year and turn it back on in a year that the sun would keep rising. I think we can all agree that if we agree to switch off Deputy Inder for a year (**Several Members:** Hear, hear.) and turn him back on in a year, the sun would keep rising.

1655 I am delighted that Deputy Inder, and indeed so many others in this Assembly, are committed to the Forward Guernsey manifesto. It will make it a darn sight easier to ensure that the commitments given in that manifesto are implemented as part of the programme during this term.

So I am grateful for the support and look forward to receiving his application to join the party.
(*Laughter*)

Deputy Niles and Deputy Camp spoke passionately, but I do need to remind Members that of course they are members of the Committee that did come to P&R seeking a 21% increase in the budget for 2026, and indeed they are part of a Committee that has committed to spending £500,000 on consultants for developing a Financial Sector Strategy. It reminds me, as is often the case in this place, sir, of –

Deputy Kazantseva-Miller: Point of correction, sir.

The Bailiff: Point of correction, Deputy Kazantseva-Miller.

Deputy Kazantseva-Miller: I think the Vice-President is potentially misleading the House because the full cost of the Financial Sector Strategy will be co-funded by the industry and the regulator. That is not the cost payable by the taxpayer.

The Bailiff: Deputy St Pier.

Deputy St Pier: I do accept that but 62.5% is directly and of course –

Deputy Camp: Sorry, point of correction also, please.

The Bailiff: Point of correction, Deputy Camp.

Deputy Camp: I would just like to make it clear that I did not vote for the spend on the Financial Sector Policy Review.

Thank you.

The Bailiff: Deputy St Pier.

Deputy St Pier: I am grateful to Deputy Camp for that clarification and, actually, I was also going to make the point that Deputy Camp was the only Member that I can recall appearing before the meetings with P&R during the public process who actually said, 'We do not need all this money' in respect of the Committee's bids. I do not recall any other Members doing so and, in particular, Deputy Vermeulen who, again, is quite strongly in favour of this amendment, I certainly do not recall that when presenting Home's request for digital funding.

Sir, I was going to say that this does remind me of St Augustine. It is a prayer that is often called on in this place, sir, which is of course, 'Oh, Lord, help make me pure but just not yet.' That is very much the case. Deputy Niles talked about we need to avoid salami slicing but if this is not salami slicing, then I am really not quite sure what is.

Deputy Blin, sir, said that there is too much formula-led spending and, yet, this amendment does nothing. It exempts formula-led spending exactly as Deputy Bury said.

Sir, Deputy Helyar's speech; Deputy Helyar is always a delight to listen to in this Assembly, sir, and he was so passionate, he reminded me of Javier Milei perhaps wielding scissors rather than a chainsaw, but it was a delight to listen to. But of course he does know, from experience of having presented budgets in this place during a period of significant expenditure growth, the challenges which are faced. Of course, this amendment does not touch the operating losses expected to be put aside for the States' Trading Supervisory Board trading assets of £3.3 million.

Of course, recently his Board was responsible for expenditure of £300,000 on scaffolding at the Airport and another £65,000 at the slaughterhouse. Because we do not have funds to complete that work and if we continue to avoid spending money, then of course, as others have said, that bill is just going to get larger.

I think Deputy Bury absolutely nailed the gap between intentions and actually what would be delivered through this amendment, which does need the meaningful work of the budget reform that we have talked about, and that I opened in responding to Deputy Rochester.

1715 Deputy Leadbeater's speech, sir, was a classic Deputy Leadbetter speech, always delivered often off the cuff but always with passion and good observation. It reminded me of the experience at the beginning of the last term when he observed that there are Members who have joined this Assembly who really do not have political experience.

1720 I remember at the beginning of the last term how passionately some new Members said, 'Risk, in essence, we do not need and we are sick of political experience' and that really ended rather well. I will give way, sir. *(Laughter)*

1725 **Deputy Niles:** It was actually a point of order. Your comments in relation to what I said, when I mentioned salami slicing or cutting, I was doing so in terms of salami slicing costs and then repackaging them as stealth taxes of which you are familiar, sir. It was not in relation to this amendment itself. *(Laughter)*

Thank you.

The Bailiff: Just a minute, Deputy St Pier.

1730 That was not a point of order. That was potentially a point of correction but, in any event, Deputy St Pier had given way.

So Deputy St Pier to continue, please.

Deputy St Pier: I had indeed, sir, and do accept that was the point that Deputy Niles was making.

1735 Sir, in response to Deputy Vermeulen, nobody is saying that cuts are not possible. We are just saying that they do need to be done. Efficiencies need to be found in the right way. I am glad that he, sir, agrees to 75% of the Forward Guernsey manifesto because of course this Budget delivers 60% of that manifesto commitment in the first year. So at least he can endorse for the first 65% of his 75% approval, so I am very pleased with that.

1740 Neither did Deputy Sloan, when he came to Policy & Resources, he was not making the case for a reduction in the Scrutiny Management Committee. That is not presented in this amendment either or, indeed, in Amendment 2 so we are not necessarily living –

Deputy Sloan: Point of correction, sir.

1745 **The Bailiff:** Point of correction, Deputy Sloan.

Deputy Sloan: The Scrutiny Management budget is actually quoted in Amendment 2, sir.

1750 **The Bailiff:** Deputy St Pier.

Deputy St Pier: Sir, I was making the point he did not argue for a cut which was the language that I used.

1755 Sir, this amendment I think really came about as a result of Deputy Sloan perhaps being slightly embarrassed by *The Guernsey Press* podcast where he said he was going to vote against the amendment, and it was pointed out to him that might be a little bit irresponsible. It is a popular and I think even indeed a populist –

Deputy Sloan: Correction, sir. I said I was against the Budget.

1760 **The Bailiff:** Deputy Sloan, you have to wait to be called to make your point of correction. Anyway, you have made it. *(Laughter)*

Deputy St Pier.

Deputy St Pier: He said he would vote against the Budget. If I said otherwise, I accept the correction, and it was pointed out that it was irresponsible so the amendment has appeared as a result.

As I say, it is a popular – I am sure it will be popular but, in that sense, it is also a populist amendment. It will produce a sugar rush and an endorphin high of being seen to do something and, indeed, I think Deputy Hansmann Rouxel spelled that out.

But to deliver at this level, given that the amendment does not reflect those expenditures, which are already baked into the system including, for example, the £4.4 million of pay awards which are already agreed for 2026; there is nothing that anybody can do about that. Also it does not take account of the fact that not all pay groups have yet settled for 2026. The £27 million suddenly becomes £31.5 million that will need to be found because of that additional pay award together with any other pay awards that have yet to be settled.

The reality is that in order to deliver those savings, it will be necessary to let staff go. In other words, to make redundancies and that, in itself, will cost money which is not provided for, so it becomes a vicious circle. There is no opportunity to come back to P&R in a year and ask for additional funding from the budget reserve because the budget reserve we have not agreed and the budget reserve can only be used for one-off expenditure and not forward-going expenditure.

No thought, as we have said, has been given to the demand pressures and, indeed, Deputy Oswald spoke very clearly about some of those pressures. I am grateful to Deputy Montague for his acknowledgement of the situation faced by Education, Sport & Culture. As others have said, the reality is that a slice of the cuts should not made in the legislative training and maintenance and so on.

Sir, the amendment actually says, as again Deputy Hansmann Rouxel pointed out, that the consultation has been undertaken with the Policy & Resources Committee. I can advise that there was no consultation with the Policy & Resources Committee. If Members have contacted Treasury staff, that is not consulting with the Policy & Resources Committee.

I give way.

Deputy Sloan: I emailed it simply. I told you we were going to put in a, through you, sir, we were putting in the amendment. I asked you if you have any comments.

Deputy St Pier: Emailing Members, sir – and this perhaps demonstrates Deputy Leadbeater's point about experience – is not consultation with the Committee. There was no consultation with the Committee.

It is described as not being austerity but the reality is that it will result in some significant cuts for the reasons that I have already outlined.

So I think I can perhaps reveal today that Deputy Sloan obviously got his doctorate from the bogeyman school of economics in relation to his £115 million cash deficit, which is a new term that has arisen. I think that was well addressed by Deputy Parkinson in relation to explaining the role of the capital. The point is we would not be drawing down on reserves in respect of all that £115 million because there would be reliance on the borrowing facilities that are available. Similarly of course we will need to recognise that, in 2027, there will be a cash inflow from the accrual currently made for the Pillar Two receipts.

Just in terms of the bogeyman school of economics and, again, taking Deputy Parkinson's example of buying a house, if an individual has a household income of £100,000 and they go out in 2026 and buy a house for £1 million having borrowed, let us imagine, £750,000 and have drawn down £250,000 of savings – I am making the numbers up - the point is that in that year they will have a £650,000 deficit.

In other words, they have spent £1 million, they have drawn on their reserves by £250,000 but they also only have £100,000 coming in. This is not the way that we account and reflect for cash movements with the States or how we budget in the States. It makes no sense whatsoever.

1815 Others have described it as performative, the show pony amendment from Deputy Leadbeater, gesture politics from some. I would describe it as a luxurious amendment. It is an amendment which is offered really without the responsibility of dealing with the consequences of the amendment, and I think others have spoken to that.

1820 Certainly it is to emphasise, contrary to what Deputy Sloan has said, that this Budget is not saying yes to every demand. That has been made very clear in all the meetings with all the Committees that that is not possible, and plenty of speakers have spoken to that during the debate that it has not been possible to meet every demand. So, sir, I think in a sense, I am obviously not suggesting that Members should support this amendment.

1825 Just to finally note that the real terms increase in spending, if this Budget is passed, is 0.4% and, as I indicated in my open debate, the historical average for the last 10 years has been 1%.

So in terms of bearing down on costs, bearing down on the increase in Government spending, that is precisely what this Budget does. We have acknowledged what needs to be done, we have set out how we are going to do it, and we will be grateful for this States of Deliberation's support to enable us to do precisely that.

1830 Thank you, sir.

The Bailiff: Members of the States, I am going to put to you a procedural motion that we hear from Deputy Sloan and vote on Amendment 1 and then adjourn for lunch. Those in favour. Those against. I declare that carried.

1835 Deputy Sloan to reply on Amendment 1, please.

Deputy Sloan: Thank you, sir.

1840 A lot has been said in this debate about collaboration, realism, and protecting frontline services. I have heard that Deputy Camp and I are not being collaborative, that we are not being realistic, and that what we propose will somehow drop police numbers or the hospital beds, so let me deal with that straight off.

1845 Collaboration does not mean agreeing to spend more money just to keep everybody in this Chamber happy. Collaboration means facing reality together. The reality is that we are running a £115 million cash deficit on this Budget next year, and spending far beyond what is sustainable. With the greatest respect to Deputy Hansmann Rouxel that is not my definition of 'almost balanced'.

This amendment is not about threatening frontline services; it is about saving them because what truly puts those services at risk is not this amendment, it is carrying on as we are, burning through reserves and pretending that the problem will somehow disappear.

1850 Much has been talked about Health, and I do recall this. I appreciate Deputy Leadbeater saying that I am a fiscal newbie but actually some of these issues I have been dealing with rather a long time. In 2012 I authored the report Potential Long Term Implications of Demographic and Population Change and the Demand for and Costs of Public Services. I wrote then:

Should healthcare costs per capita consistently grow at a faster rate than earnings, the principle driver of public sector income, expenditure growth will outstrip income growth in the long term. This position is fundamentally unsustainable even without the added pressure of an increased level of demand as a result of the aging population.

1855 Now, that report set out projections of expenditure up to 2040 but the bad news is in 2026 in healthcare we are already there. We have heard that expenditure control is impossible because pay awards are already contracted, but that argument conveniently absolves Committees of responsibility. They have 14 months to work this out. We are not asking anyone to make cuts this week. What we are saying is simple: plan properly, live within a limit, and make choices. That is what responsible Government looks like.

1860 Others say they have not had the time, but in the old days the Budget was debated in December. There would have been time if there had been the will. The truth is the will was not there. When total savings in this Budget amount to just £2.5 million, that figure is frankly laughable in the face of a £115 million problem.

1865 Some of you have asked what my choice is. My choice is responsibility. Responsibility to the taxpayer, to the public, to the economy, and the future sustainability of public services. Let us remember the scale of savings in this amendment are almost identical to those proposed in the Forward Guernsey manifesto endorsed by three Members of this Assembly.

1870 **Deputy St. Pier:** Sir, a point of correction.

The Bailiff: A point of correction, Deputy St. Pier.

Deputy St. Pier: The commitment is over the term; not in a single year.

1875

Deputy Sloan: Sorry, I did not hear?

Deputy St. Pier: The commitment is over the term of Government; not in single year.

1880 **The Bailiff:** Deputy Sloan.

Deputy Sloan: I am glad you brought that up because, as my friend Deputy Rylatt commented earlier, in yesteryear when we were young and when life was different then we believed in integrity and we believed in sticking to what we say in the written word. I will read from the manifesto booklet of 2025, and I read from the manifesto produced by the three members of Future Guernsey today. I have tripped up on the radio this morning because I heard Deputy St. Pier make that same comment. In 'Creating a fairer tax system and balancing the books' there are six steps. Listen to this verbatim:

Step 2. Delivering more efficient public services, including an annual 1% reduction in baseline spending, saving £25 million each year by 2029.

1890

Each year; £25 million each year. To those who say we would have found the efficiencies elsewhere I say this: you have your chance, bring your own amendment. In fact, if any Member wishes now to propose a suspension of procedures to do so now I will second that. The same goes for those who say our principle is right but our message is wrong and we should have set an aggregate amendment. Again, bring a proposal to suspend the rules and I will second that. But I doubt that will happen because this debate is not about methods or detail; it is about will. The will to act responsibly. The will to face facts and to show the public that we are serious about getting our finances back on track.

1895

So I say again, £115 million cash deficit, a structural deficit of £77 million, expenditures up by 4.4% while revenues are only up by 3.4%, and pay up by 7% on 2025 figures. I do not consider, Deputy Parkinson, that is a 'keeping the lights on' Budget.

1900

All this amendment asks you to do is to face reality, and that is why I ask Members to support the amendment.

1905 **The Bailiff:** Members of the States, it is now time to vote on Amendment 1, proposed by Deputy Sloan, seconded by Deputy Camp, and I will invite the Greffier to open the voting please.

There was a recorded vote.

1910 *Carried – Pour 13, Contre 25, Ne vote pas 1, Did not vote 0, Absent 1*

Pour

Blin, Chris
Camp, Haley
Curgenven, Rob

Contre

Burford, Yvonne
Bury, Tina
Cameron, Andy

Ne vote pas

Goy, David

Did not vote

None

Absent

Le Tocq, Jonathan

Dorrity, David	Collins, Garry
Helyar, Mark	de Sausmarez, Lindsay
Inder, Neil	Falla, Steve
Kay-Mouat, Bruno	Gabriel, Adrian
Laine, Marc	Gollop, John
McKenna, Liam	Hansmann Rouxel, Sarah
Niles, Andrew	Hill, Edward
Sloan, Andy	Humphreys, Rhona
Van Katwyk, Lee	Kazantseva-Miller, Sasha
Vermeulen, Simon	Leadbeater, Marc
	Malik, Munazza
	Matthews, Aidan
	Montague, Paul
	Oswald, George
	Ozanne, Jayne
	Parkinson, Charles
	Rochester, Sally
	Rylatt, Tom
	Snowdon, Alexander
	St Pier, Gavin
	Strachan, Jennifer
	Williams, Steve

1915 **The Bailiff:** In respect of Amendment 1, proposed by Deputy Sloan, seconded by Deputy Camp, there voted in favour 13 Members, 25 Members voted against, 1 Member abstained, 1 Member is absent and, therefore, I will declare the amendment lost and we will now adjourn until 2.30 p.m.

*The Assembly adjourned at 12.43 p.m.
and resumed its sitting at 2.31 p.m.*

The States of Guernsey Annual Budget for 2026 – Debate continued

The Bailiff: Members of the States, the next amendment will be Amendment 4. Deputy Matthews do you wish to move Amendment 4?

1920 **Deputy Matthews:** Yes, please, sir.

The Bailiff: Well, off you go then please.

[Amendment 4.](#)

To delete Proposition 1 and insert a new proposition:

"1. To agree that the amount of tax relief in respect of mortgage interest paid on a principal private residence remains at its present level of £3,500 and cease the phased withdrawal of tax relief provided on mortgage interest in respect of principal private residences."

1925 **Deputy Matthews:** Sir, I feel I ought to start off with a declaration of interest myself. I am a home owner with a mortgage and I claim mortgage income tax relief. In fact, were it not for this States' meeting I would be at home filling in my tax return, which is about to become due, and I would include the interest I pay on the mortgage as a deduction, as many Islanders do. But I am presenting here an amendment to preserve what remains of the current allowance for mortgage
1930 income tax relief.

Some explanation of the amendment. Proposition 1 of the Budget seeks to resume the phasing out of tax relief in respect of mortgage interest paid on principal residences, otherwise known as

mortgage income tax relief. Over three years such that would reduce to zero in 2029. For the upcoming year, 2026, the allowance rate would be reduced from its current level of £3,500 to £2,500.

1935 It should be noted that this amount is the amount of interest that a taxpayer is able to claim for; the value of tax will generally be 20% of that, or £700. For reference, with a mortgage of 5% this would represent £70,000, so effectively that is the current amount of a mortgage that is tax deductible after the phasing down has taken place.

1940 The Budget document notes on page 33, sections 5.5 and 5.6, that mortgage income tax has been gradually phased out since the States' decision in May 2015 which was originally set to have been phased out completely by now, 2025. The phasing out was paused in 2023 and 2024 due to very high interest rates and increases in the cost of living in general. It was then again paused in 2025 as the result of an amendment that I laid, seconded by Deputy Taylor, to extend the phasing out while Deputy Trott's 2 pence Income Tax rise was in place, although that Income Tax rise was not voted through.

1945 But it was during that debate that I became even more certain that this allowance should be preserved. It is extremely popular and it provides real help, especially to new homeowners and also prospective homebuyers looking to get on the first rung of the housing ladder. I will go on to explain my thinking on this later.

1950 The method chosen back in 2015 was to phase out gradually to reduce the amount of interest that is allowable. To my thinking, this is not the most useful to phase out a relief because it means that older and more established mortgage holders, for example, who maybe bought their homes many years ago when prices were lower and have continued their mortgage for many years will continue to gain some benefit right up until the last year. A more targeted approach might have been, for example, to taper the allowance by income level or number of years the mortgage has been running for, or some other mechanism to more effectively leave the young and new borrowers and those on middle incomes as those continuing to gain benefit for the duration of the phasing out. But that was not the method chosen, and the method chosen just avoided the benefit being withdrawn in one hit and reducing the instability that such a sudden move would bring.

1960 So a little bit of history. Originally the tax relief was available for any loan, housing or not, and there was no limit on the interest amount. This became widely criticised because the wealthy could and did claim for interest on any borrowed money, even buying a second home or a yacht was acceptable, and this situation was addressed and the current relief only applied to a principal residence, i.e. a home.

1965 It was also the case that the allowance is now withdrawn, as with all personal allowances, after an income of £85,000 as proposed in the current Budget, which is considered to cover the low and middle income. This is similar to a Guernsey version of the 20 means 20 policy in Jersey, i.e. that after a threshold income amount the tax rate moves effectively towards a flat 20% rate, rather than providing allowances for more wealthy taxpayers.

1970 The Budget document also on page 33 details this threshold in sections 5.2, 5.3 and 5.4, immediately above the sections on mortgage income tax relief. So effectively not only is this allowance targeted at homeowners, it is automatically means tested in that it is not available to higher income individuals, as described by this Budget.

1975 This amendment details the cost in its Rule 4(1) information using figures provided by Treasury officials. For this Budget year it costs £600,000 to maintain the level of relief at £3,500 rather than move it to £2,500. That is the cost for this year. The note also states that if the relief did not phase out, the cost in 2027 would be £1.6 million and rising to £2.5 million in 2028 and £3.5 million in 2029 and subsequent years.

1980 However, I would remind Members that we are not here to approve the Budget for 2027, 2028 or any other year. We are here to approve this coming year's Budget, 2026. The cost of the year we are considering is £600,000.

I would like to thank Deputy Goy for seconding the amendment and also we had some discussions during its development about how it could work, and I found that useful and I was glad for his support; so I thank Deputy Goy.

1985 If P&R wish to more effectively target the relief or propose a new reduction for 2027 the Committee would be at liberty to go ahead and do just that. This amendment does not bind or prevent P&R from doing this in subsequent years in the normal way, in the normal Budget.

1990 I will explain why I believe this amendment more effectively supports the objective of easing housing affordability in three points. Firstly, I am someone who believes that housing is the number one issue that underpins all of our economic success or failure and defines the divide in our society. Statistics demonstrate that owner occupation is in decline. In 2001 the Census showed that 72% of homes were owner occupied. The latest figures at the end of 2024 show that only 61% of homes were owner occupied. I believe almost everyone would agree that this decline in home ownership is not a good thing. Being able to own your own home is intrinsically a good thing.

1995 The general principle is something that seems to unite the political spectrum and spans the decades. Margaret Thatcher in her first speech as leader to the Conservative Party Conference declared her belief in a property-owning democracy. The Green Party in their most recent conference passed a motion which states that the relationship between landlord and tenant is inherently and intrinsically extractive and exploitative. They were promoting greater council house building but the sentiment is very clear. It chimes with many in Guernsey who argue that renting is dead money and that owning your own home is the most desirable way to put down roots and establish yourself, especially as a family.

2000 In contrast to the Green Party I do support the private rental market. This Budget contains measures to improve the financial climate of private landlords. There are many circumstances where renting is the right thing to do. I myself rented for many years before buying my own home and I believe the majority would agree that home ownership provides a level of pride and security that is unmatched.

2005 Many a Deputy asks the question, 'Why do we not support private landlords?' Deputy Bury and I had a brief conversation just outside in the lobby and I have had other conversations where people have asked –

Deputy Bury: A point of correction.

The Bailiff: Point of correction, Deputy Bury.

2015 **Deputy Bury:** Sorry, I did not say why are we not supporting private landlords; I said why are we not supporting the private rental tenants. *(Laughter)*

The Bailiff: Deputy Matthews.

2020 **Deputy Matthews:** I misspoke actually, I am sure Deputy Bury will forgive me, I meant to say why are we not supporting tenants. The answer is really that it is very difficult to financially support tenants. If you give subsidies to people who are renting effectively that will go to landlords because rents will increase. It is very difficult. Other than by regulation and rent control it is very difficult to financially support people who are tenants, much though as an Assembly we might want to improve their financial position.

2025 But for my second point, mortgage income tax relief supports not only current homeowners but prospective first-time buyers as well. In my experience, mortgage lenders really do take into account when deciding affordability and the amount they are willing to lend. Without it they will lend less and it will make owning your own home a more distant dream for many young people and families.

2030 It is said that prices may come down but they would not become more affordable because it would cost prospective buyers buying on a mortgage more to be able to do so. So this relief effectively tilts the balance in favour of owner occupation.

2035 My third and final point is I mentioned the soon-to-be refreshed Government Work Plan. It has been much maligned in some quarters as lacking focus or clarity about what the States really wants to achieve or what our objectives are. It seems to be simply a laundry list of in-progress workstreams

without any real theme, simply reacting to current events or what were current events at the time it was created. My greatest hope for this Assembly is that we are to really focus on supporting children, young people and families to remain in the Island and to build our economy.

2040 There is sense in doing this. This is the future of our Island and many of the present issues we are reacting to in this Budget are related to our ageing society. If we are to revive and thrive in this Island we need to make it a place that young people want to stay and families see as a safe and welcoming environment. Sending out a message that the States supports home ownership is a valuable sign that middle-Guernsey is valued.

2045 In conclusion, there is a belief that the States must focus all of its support to the most impecunious in society rather than helping anyone who is already wealthy enough to consider buying their own home. But I think we should encourage young people and families, middle-Guernsey who are struggling to get on and make a better life for themselves, but instead this very first proposition at this very first States' Assembly's Budget is to remove the one piece of help we provide to those very people, the backbone of our economy.

2050 This is the road to ruin. This is why I urge Members to support the amendment and to keep mortgage income tax relief in place.

Thank you.

2055 **The Bailiff:** Deputy Goy, do you formally second Amendment 4?

Deputy Goy: Yes, I do.

The Bailiff: Thank you.
2060 Deputy de Sausmarez.

Deputy de Sausmarez: Thank you, sir.

I need to get to my feet first of all because I have an interest to declare in this. I would benefit if this amendment is successful and that is kind of my point, because I do not think that people who are struggling to pay rents – which have increased by eyewatering amounts compared with the costs, which are admittedly still high, of home ownership, but rents have disproportionately outpaced house values – should have to help through their taxes support me, who is in the very privileged position of owning my own home, and repaying my mortgage.

2065 Deputy Matthews makes a very sincere argument and I absolutely understand what his amendment is trying to do, but he said that renting is dead money or there is a view that renting is dead money, and I would argue that renting is deader money when those renters also have to support home ownership by virtue of their taxes.

2070 I do not see how this amendment would have any meaningful positive impact in helping people move from private rental to home ownership, and indeed I think it has already been factored out of lenders' calculations. Because it has been on a phase out for so long I think it has already been factored of affordability calculations. I very much doubt it would be brought back in.

2075 Deputy Matthews was quite accurate to describe the provenance of mortgage interest relief being frozen in the previous Budget was thanks to his amendment, but he was also right to point out and deserves credit for being transparent enough to include this when he opened on this amendment, that it was in response to an increase or an anticipated increase in Income Tax, which then never materialised. The whole rationale for introducing the freeze in the first place never materialised, so the original rationale for the freeze is not there.

2080 So it really takes us back to basics. I agree with Deputy Matthews to an extent because I think there were always going to be people for whom renting is actually an option they choose. I know that is one of the objectives in the Guernsey Housing Plan is to make it a tenure of choice and not just of last resort, and there are various people for various reasons because of the circumstances that they happen to be in who want to choose renting. However, I do broadly agree with him that home ownership is a wonderful thing with many advantages, but if that is what we are trying to

2090 achieve I think he will probably also agree with me, hand on heart, that more fundamental reform is needed.

2095 This does put a dent in our income, and I will leave the financial impact to Deputy St Pier when he replies. But really I think it just boils down to a fundamental question for this Assembly, which is to consider whether we think it is right and equitable that everyone who pays taxes should be supporting the portion of the community that pay mortgage interest. I think I will leave it there. I cannot support it although I do understand why Deputy Matthews has brought it, and no one can accuse him of not being consistent so there is that.

The Bailiff: Deputy Gollop.

2100 **Deputy Gollop:** Thank you.

I remember in one of our Budget presentations I was *[Inaudible 2.48.28]* du jour with the gang, as it were, and a member of the media came up and he was somewhat impressed to see myself, Deputy Goy and Deputy Matthews, and we were relatively in sympathy. I wanted to second the amendment as well and I might have beaten Deputy Goy to it, because I very much think that we need more gestures in politics actually.

2105 I think we do a poor job historically – and maybe this term will be better – with our collaboration and our vision of selling what we do to middle Guernsey. We are very concerned about helping the poor and the more vulnerable. We also, to a degree, work really hard to ensure that Guernsey is a competitive place to live and do business, especially if you are very successful. But we can see that our biggest single problem of the day – and in a way the election and in a way the last two years – has been housing and not much action has occurred, as Deputy Inder and others have reminded us.

2115 Is this a Budget for housing? No, it is not really, it has got other priorities, but it is not really focused at this level on achieving much. Now, of course the more money you throw at housing the more prices may rise, but as Deputy Matthews has explained, this is not entirely untargeted because it does not apply to the person whose income, for example, is above the £85,000, nor would it necessarily apply to second and third home owners, although I will come to that in a minute.

2120 I think this is a very useful move. Deputy de Sausmarez pointed out that some people might benefit who do not need the money, but she has – not in this States perhaps but in the previous House – made the very acute observation that even if you are perceived as being very successful, a professional parent, a professional adult in Guernsey, if you have one child, let alone more than one, children are expensive. Family life is expensive in Guernsey, more so than many other places. So it will help those people.

2125 We know that we have a duty really to encourage family life, to encourage people to want to settle down to do so, and I think this is very much linked to that. I think there are other wider issues. Deputy Matthews made the point he remembered discussing with his father 20 means 20 when Jersey introduced Zero-10 and, perhaps they always knew a trick there more because they knew how they needed to focus and target the benefits. But here we are not really being generous enough on various levels.

2130 I remember Deputy de Sausmarez brought an amendment last year, and maybe we should have been more sympathetic to it then, about improving stamp duty for landlords. That is in the Budget this year and I think that has been welcomed, as has the other reform that is a little bit detailed about apportioning in particular years.

2135 I actually belong as an associate member, and I have been a landlord, to the Landlords Association. One thing I know that they want, particularly after a time when they have had increased building standards and new law, all sorts of other challenges, that they would actually like Policy & Resources – although I think they are grateful for what they are feeling this year – to go further and give them mortgage interest relief as well. Because if we are to – not encourage landlords so much but even maintain the level of investment in the sector we need to do that. But I think maybe that should be focused more on local landlords rather than external.

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But we come to another point here. Deputy Matthews has made the observation, and Deputy Soulsby made it in the past States, that we are going backwards a little bit. Far from the Thatcherite Greens who have a dream of a property-owning democracy, we are seeing a steady reduction in home ownership. You only need to read an article or put on the radio to hear experts and pundits saying there is generational inequality, and at one level the people in their 60s, as one Deputy said to me, generally were successful just by being born in the right time. Then you have people in their 40s in another sport, and people in their 20s are really not so well off and have little prospect of achieving prosperity.

So I think we should do everything we can. In the past we were very generous, I know we had to cut back because of Zero-10 and other factors, in that we actually allowed interest on loans from loan companies, not just for yachts but for personal loans and for all sorts of things. I actually would go further and think that there is an argument – although, as Deputy Matthews said, it is not an easy one to work out how best it can be done – that we should not just be favouring property owners. Tenants should have a degree of protection, especially if they have particular needs or disabilities or family commitments or income levels. That is a bigger conversation and obviously we need more revenue before we go down that route.

But I think we have an uncertain housing market which seems to ebb and flow. I believe Jersey has seen a significant reduction in activity recently. We need to maintain that market but very much encourage people who are either thinking of taking out a mortgage or currently paying a mortgage. To take it away reduces their standard of living. It is as bad really as taking away the family allowance or other elements, and we should very much have a coherent – and do not think we do – social policy on how we want to help the family and where we see housing going.

Sometimes people say, 'You are not doing enough for first-time buyers' and I say, well, actually, the policy of the States for the last 20 years in the world of Frossard House or something like that, has been to encourage more tenants and social housing, and not to go down the route. I was reading about a great Jersey politician the other day, I think he may *[Inaudible 2.55.36]* and I had in mind – not just himself but many similar people in Guernsey of that era, we are talking about late 20th century, and they had a kind of popular conservatism to their bones where they would spend money on infrastructure and state ownership in some areas and new schools, but they also were I suppose paternalistic but also conservative in a popular sense.

They believed the best way to a secure society on the Island was to encourage aspiration and home ownership and home building, and not a society of tenants. In fact in the UK and other countries the more tenants you have the more radical your politics becomes and the more apathetic. You tend to get less buy-in and there are huge issues out there.

So for all those reasons I think we should have a complete rethink of mortgage tax relief and what we are doing for the younger buyers and landlords as well. I would like to see obviously the new Housing Committee involved in this thinking, as well as all States' Members. As it is to some extent a holding Budget I do not think we should discourage what we have got, what we have inherited and what we have achieved. So I very much hope we support this amendment and we can always reconsider in a few years' time where we are going with this. But I think the time to support this is now, and we will also be helping many people out there in the community who do not really have as strong a political voice as they deserve.

The Bailiff: Deputy Ozanne.

Deputy Ozanne: Thank you, sir.

I seem to spend a lot of my time today feeling conflicted. I did in the previous amendment and I do in this. I do understand why Deputy Matthews has brought what I see as a well-meaning and beneficial amendment, but it is structurally unfair. For me the principle of fairness needs to be the backbone of all our fiscal policies; and we will come on to say later; I hope this afternoon.

Over 25% of our homes in Guernsey are rented. That is much higher than the UK, which is about 20%. In the old days that was through choice but today that is through necessity. Having a mortgage

is a pipe dream to so many of our Islanders at the moment, particularly younger Islanders. In the good old days that Deputy Rylatt adhered to, you would be able to rent and save for a deposit to then place your mortgage. Today people can barely make the rent.

I am going to make a wild guess that I am the only person renting in the Chamber right now, and I am not doing so – okay, I am not the only one, I hold a point of corrections all around. But my rent is five times my mortgage. Five times my mortgage. It leaves me with barely enough to live on and that rent is set by a landlord who has reduced the rent, knowing my circumstances. He believes just because he could charge a higher fee he does not have to, and I think that is a generosity I would love to see other landlords right now in the midst of this housing crisis.

But I come back to the structure of unfairness. Renters at the moment are really struggling and it is our young people and our older pensioners who are really bearing the brunt. I want to put on record my thanks to Chris Murray who many of you may know works tirelessly to try and find homes for people who are often coming to the end of their contract, often pensioners who are now finding themselves homeless and are unable to afford rent on their own and are having to move to the UK. I find that unbearable to think about.

But the bottom line is there no property for them that they can afford because they are caught between being justified for income support but not in a position to actually afford the rental market price. So we have these wonderful champions like Chris who goes out of his way trying to find homes, but we do need to address this problem. Forgive me, Deputy Matthews, I know you know this but prioritising mortgage owners over rentals I think is unfair. The Green Party have been looking at how to do this and they have looked at rent caps in councils where the market is overheated. I would like to take a leaf out of the Green Party's book and perhaps consider that here in Guernsey. There would be a lot of consternation but we need to do something to address the rental problems that we face.

So do we support those who are struggling in mortgage or do we not? I think we have to come back to our principles and, for that reason, I will not be supporting the mortgage relief without a package and suite of additional measures to help those who are struggling in the rental market. I hope that the Housing Committee will look at that with priority and we will be able to hear that. I myself am committed to bringing a requête and would like to work with Housing on this to look at how we can make financial vehicles that help first-time buyers into finding a way to find a deposit so they can move from renting into home ownership. But until that point I do not think I can support this amendment.

The Bailiff: Alderney Representative Hill.

Alderney Representative Hill: Thank you, sir.

As you know, both Alderney and Guernsey have a problem in encouraging young people to come to the Island to set up professionally and, indeed, if you ask some of the companies out there they are struggling with recruitment for quality staff. I would like to take the point that Deputy de Sausmarez said about if you have somebody here who owns a house then they are going to stay here. There are plenty of jurisdictions that would quite happily take our middle working class people to go and work in other jurisdictions. If you have got skin in the game you are more likely to remain here.

In Alderney, in particular, it is very hard to get a mortgage and you cannot even get a mortgage at the moment on leasehold properties, so anything that we can do to encourage young people to make a decision to remain there, to work there, to pay Income Tax, in the future is gold. As to the affordability, I am not quite sure what your property tax rates are here but in Alderney if somebody purchases a house they pay between 6% and 8% congé and that more than covers the relief that they will get in income from the Income Tax.

So I would ask you, this is about protecting the future professionals that will be running your companies, running your financial centres, and if you do not encourage those people to take skin in the game then they will simply go and work elsewhere.

2245 Thank you.

The Bailiff: Deputy Kazantseva-Miller.

2250 **Deputy Kazantseva-Miller:** Sir, I will declare an interest but my understanding is that during the Budget debate the assumption was that we do not have to declare interest because the Budget will in general affect pretty much everyone. So I just wanted to, maybe following my speech, seek your clarification, sir, but I will declare an interest in this instance.

2255 First of all I think we are in a cost-of-living crisis when housing is the number one priority. One could look at this Budget as being actually anti-homeowner and anti-rental, because not only do we have this proposition, which is seeking to remove the mortgage interest relief, but we have also got other propositions such as increase in TRP rates well above inflation.

2260 So at the time when we have got the most need to focus our eyes on helping home ownership and access to rental property we are doing the opposite. We are taking quite extensive measures such as increasing the personal Income Tax allowance above inflation just to cater for a very specific audience, which is the pensioners. So it feels like at the core of the debate today in terms of whether you should support or not support this proposition is that fairness concept, whether it is right and equitable for a part of our taxpayers to be funding another population of taxpayers.

2265 But I think if we started to look at all Budget decisions and all States' expenditure decisions through this lens, this would create a first point of contact with reality in terms of how public expenditure is split across the site, because if you started to take that view, well then why should people who do not have children pay for education for someone else's children? Why should I be paying into Social Security for paying the pensions of today when I probably have little chance to expect that I might be getting a pension myself? Why should I be paying for the cost of healthcare while I am living a healthy life and I am not consuming any of those kinds of levels of healthcare costs? Why should I be paying for dairy subsidies when I am not consuming dairy? And so on. I can continue and continue.

2275 So I think at the core of the argument that has been displayed today is that by supporting this initiative we are somehow taking away from others, and it is unfair. I do not think that argument actually stands. First of all, as a Housing Committee we really want to look – as per Deputy Ozanne's suggestion – into fiscal levers and incentives holistically, perhaps for the next Budget, perhaps as part of the work plan that we are developing as a Committee. We did not want to bring any big amendments this time because we wanted to take the time to do it properly.

2280 Historically the States has spent a lot of money supporting home ownership, and today the taxpayer spends quite a lot of money subsidising affordable housing – to the tune of £135,000 for each affordable housing unit – which again will only be used by a very small proportion of the population. So by having an incentive in one part of the market, it does not mean it is taking away from someone else. Again, the arguments put that by supporting home ownership we are somehow taking away from the renters, this is not true because this Budget that you could say is currently being spent on this scheme, it is not being ring-fenced for renters.

2285 So again, just because there is something in this in one part of the system, it does not mean that it is taking away from someone else. We should be looking at the rental market; the Housing Committee is looking at that but that does not take away from the need to – in such difficult times in a cost-of-living crisis to be taking this mortgage relief away.

2290 So I will be supporting this amendment and I do thank Deputy Matthews for consistently bringing that message back to the Assembly. I hope I have helped convince the Assembly that the argument around equitability does not hold in this case.

2295 **The Bailiff:** To answer the point that has just been raised by Deputy Kazantseva-Miller, there is a distinction in my view between the Budget propositions as a whole and a specific amendment that is being debated. In relation to this, if anyone within the Assembly is paying mortgage interest relief then I think they have to declare an interest before they can vote on Amendment 4. We can

sweep those up in the end before we get there, but if anyone else is going to speak then a declaration of interest, if it is appropriate, should follow please.

Deputy Sloan.

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Deputy Sloan: Thank you very much. I too will declare an interest with a mortgage.

A brief point on the question of fairness in relation to mortgage interest relief. If Deputy St Pier is interested, my understanding on this point is based on a Masters in public policy, so we need to be careful about drawing a conclusion that the measures are inherently unfair simply because it

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benefits one group more directly than another.
Very few fiscal measures apply uniformly across the whole population. As Deputy Kazantseva-Miller just said, benefits do not apply to everyone; pension increases do not apply to everyone, child benefit does not apply to everybody. The relevant question is a narrower one, and does the measure address a specific issue or imbalance that the Assembly believes warrants intervention? That is the judgement we are being asked to make here, nothing broader than that.

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So the issue here is not that one group benefits equally, because they never do, it is whether on balance the Assembly believes this specific intervention is justified. I was minded to vote against this amendment but, as Deputy Matthews pointed out, as a policy objective I support home ownership for a variety of reasons, which I do not propose to get into today. So I will now be minded to support this.

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The Bailiff: Deputy Inder.

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Deputy Inder: Only briefly, sir.

My basic principle is I believe ownership is a good thing. It is a good thing to own a house. I would rather see owners than renters or tenants. I accept that it is not right for everyone but in my political *[Inaudible 3.10.53]*. I believe it is probably a Guernsey saying that a rendered horse is of no value. You are more likely to look after your home as an owner and spend money in it, which then

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benefits the economy, if you own it. That is just a stateable fact. *[Inaudible 3.11.15]*
I genuinely believe that home ownership gives you effectively more title, and I do not mean entitlement; title into the community that you live. You feel better for it, you feel like you are contributing, you feel like you are *[Inaudible 3.11.35]* and you feel like you live in Guernsey rather than on Guernsey; a distinct difference.

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If I go back to 2015 I remember hearing about this and I thought it was a very strange proposal at the time in the 2015-16 Budget, because if you look at how the Guernsey property market goes over the last, say, 25 years an Island takes a fairly restricted supply. Twenty-five years old, you have got a partner, back then the loan-to-value rates were lower than they are now, and effectively the time when you actually needed the mortgage relief was probably at the beginning of that journey

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which I have described.
It is not when you are my age – not that I have got one – and I always thought it was a very odd proposal because the funnel of benefit should have been at the beginning of that journey, not at the end where capital growth in your property over that 25 years has shot through the roof. Your wages have probably shot through the roof, your children may well have left the nest, and you are in a completely different position.

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We used to have homes but they are now called *[Inaudible 3.12.57]* and effectively the capital growth over that 25-year period has been absolutely substantial. Whoever did it at the time decided to give a flat rate to everyone because we adhere to the universal benefit more than actually looking at where the problem is. Something that Deputy Sloan said, and also what Deputy Kazantseva-Miller has said, is there are real inconsistencies in this.

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So if I can assist in any way, I am probably going to support Deputy Matthews's amendment at the moment but I would genuinely encourage possibly the Housing Committee and P&R to at least relook at this for next year. I think the problem was set 10 years ago when the benefit was not set

2350 correctly. For all the reasons I have mentioned, I think the real relief if we are going to get – to Deputy Gollop's point – people into housing the relief should come at the beginning of the journey, not at the end.

2355 If you have hit 50 years old you are paying substantial chunks off the principal if you take an average path of two people working and earning a certain amount of money. You do not need the relief after 50 years old. It is just not credible anymore, and I think that it was flatlined 10 years ago where it should have been funnelled down to nothing. So for the purpose of this I actually agree with Deputy Matthews at the moment but I would encourage the new Housing Committee to speak over the next year. They will have more time to look at more incentives to get people to purchase properties, and look at the relief at the beginning of the journey rather than at the end.

2360 I have simply not needed any mortgage relief for the past two or three years, but thank you very much.

The Bailiff: Deputy Niles.

2365 **Deputy Niles:** Fairness is an interesting concept. I have a slight dilemma but I agree with most of what Deputy Inder has just said in that fundamentally I am in favour of mortgage interest relief because for many people home ownership is aspirational and we should not take aspiration for granted. However, in the reversal of this decision to phase it out – if that is where this is going – I am torn, since that decision was taken as a number of measures two terms ago to introduce some degree of fiscal discipline, which I support. So there I am; that is my dilemma.

2370 Intrinsically I do believe that people should be helped to own their own homes. It is not because it provides them with an advantage over renters, but that over time this continual action of encouragement will ultimately reduce the reliance on the rental market and social housing provision. But if there is any decision to be taken on this matter then I think that it should be integrated into our overall Housing Strategy, rather than a decision that is taken in isolation. But in 2375 the round I will be supporting this measure.

The Bailiff: Deputy Oswald.

Deputy Oswald: Thank you, sir.

2380 I too find myself conflicted, having spent the morning seeking how we can maximise income to support the services which we need to maintain; at the same time, discussing with Deputy Matthews the rights and wrongs of his proposition. I agree with Deputy Niles that home ownership is an aspiration which we should support, and I certainly agree with Deputy Inder about the funnelling of mortgage relief as we get older.

2385 I am conscious that in the role of HSC we employ a lot of young professional people who come to the Island– we obviously recruit what we can locally but a lot of people come from the way – they are supported for the first four years of their stay here with rent subsidies but then they have a decision as to whether or not to move back to the UK when they lose the rent subsidy. I think as part of a fillip, to keep them here, because these people are usually aspirational homeowners, I think 2390 MIR has a role to play.

But I also support the view expressed that we need to have a much greater look at this whole principle of encouraging both ownership and tenancy help, and I would certainly support the Housing Association looking into this in detail and perhaps bringing proposals back at the next Budget.

2395 I have changed my mind and I am now going to support the amendment.

The Bailiff: Deputy Williams.

Deputy Williams: Thank you, sir.

2400 Thanks very much for the comments from the various Deputies, and particularly picking up on Deputy Inder's comment, I would like to see this focused: a tax relief specifically at first-home buyers. That is where I think we really need to push the market, so I resonate with what Deputy Inder is saying. I will not repeat it all but that is where I think we ought to be focusing our tax relief. We need to be incentivising young people to see the hope and the aspiration to buy a property and assist them in the early years.

2405 He quite rightly points out that in the later years you need less help financially. So let us focus the tax relief, and that is what we ought to be working on over this next year, to come back with some proper propositions on this.

2410 With regards the point made by Deputy Ozanne regarding renters, we are actually looking at rent stabilisation. It was one of the Work Plan initiatives from the last Committee, and we are following that up. We have prioritised in terms of what we are progressing but that has not dropped off the list, it is still there. We only had a conversation with the Jersey Housing Minister last week because they just introduced something in Jersey that did take them quite a few years, so it was not simple and easy, and we have inevitably got to look at all the consequences of it. But that is an area that we are keen to see what we can do without trying to force people out of the market and have consequences for the rental market.

2415 Those are the specific points I would like to make, thank you.

The Bailiff: Deputy Bury.

2420 **Deputy Bury:** Thank you, sir.

I will declare an interest. It is the first time I have been able to do so, having become a lucky recipient of a partial ownership recently after several years on the waiting list.

2425 That brings me to the fairness point. I am not sure that I am any more deserving of tax relief this month than I was last month, if I am honest. But that would be the position, should I claim mortgage relief, for the short period of time I might be entitled to it.

2430 Deputy Matthews and I did have a conversation outside when he asked me if I would be supporting the amendment and I firmly said, no, absolutely not. Very much for the points that Deputy Ozanne made around fairness and around that distinction between renters who are struggling also. However, listening to debate, Deputy Kazantseva-Miller's arguments presented do really resonate and have given me pause for thinking. They definitely landed with me. I do not think I am going to change my decision but it is a less firm no.

2435 I think that is down to a couple of things. The points that Deputy Kazantseva-Miller was making were very pertinent, however, I am conscious that this is not a proposition in this Budget; it is a continuation of a decision that was made by the States quite some time ago. I have not had the opportunity, I must admit, and whether other Members have, to go back and fully absorb all of that debate on *Hansard* and the reason why the decision was made in the first place because I do think reversing decisions on the back of an amendment as part of a Budget is not always the wisest way of going about this, but not as important as that debate might have been previously.

2440 I do find myself quite conflicted, like Deputy Ozanne today, as well because I do also think it is a way of helping people who sit just above the line where we often have people. The people that fall under my Committee's mandate on benefits, and Deputy Williams in social housing, there is often this line that we just cannot get to of people that fall outside of that scope but they still are really struggling, and perhaps a lot of people do fall into this category.

2445 So, yes, I am slightly more torn than I was but I think, as a matter of principle, I must go to Deputy Inder's point, and really my own personal circumstances, about the focus at the start and whether it is tax relief or something else, the partial ownership scheme, the way that I have been able to access is by removing those large financial barriers at the start of the process. I was not able to save for a deposit while renting and for the legal fees. The only reason I have been able to access 2450 a partial ownership house is because of that very reasonable cost at the start.

That is where we need to be helping people I believe, and so I would like to see us focus on them in the round, and it is good to hear that it is being considered, alongside help for renters as well. That is why I will still land on the 'no' side of things but it is slightly less firm than when you asked me outside.

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The Bailiff: Deputy Goy.

Deputy Goy: Thank you, sir.

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A disclaimer: I am a flat owner. My wife and I were low-income earners when we bought our flat in 2020. I was 42 years old at that time, okay; you can work out my age from it. So not everyone is fortunate enough to own their flats or homes in their 20s.

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I can tell you that as low-income earners every quid counts, and I can tell you that mortgage interest relief has helped us, and I believe will also help many families. This is not about renting versus buying your own home. This is about giving a small relief to those who already bought their own home.

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There are bad savings and there are good savings. Cutting your children's lunch is an example of bad savings. On the other hand, not buying that new boat or that £10,000 handbag is a very good saving. In the same manner, there are bad spendings and there are also good spendings. Spending tens of millions on consultants cannot be justified, no matter which way you slice it. On the other hand, spending to help middle to low-income earners afford their homes is always a good spend of money.

I urge the Assembly to vote for the amendment.

Thank you.

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The Bailiff: Deputy Curgenven.

Deputy Curgenven: Sir, I will brief.

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I would just like to stand testament to Deputy Goy's speech, and to strongly address this too. I bought my house [*Inaudible 3.25.02*] and I had a little boy around about the same time. Buying that house for him, well, I cannot explain [*Inaudible 3.25.20*] stress to the people in the Assembly today and the people listening at home how much it meant to me to be able to afford that house.

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I was actually speaking to Deputy [*Inaudible 3.25.39*] before because I wanted to know which side of the fence he was leaning on. The mortgage relief [*Inaudible 3.25.46*] and I would always be waiting by the post. I would always be actually encouraged to do my tax returns ahead of time, and I would always wait by the door to see the tax rebate and how much it was, and [*Inaudible 3.26.05*] and stuff like that. It did actually make a big difference to my life and to my family's life. So I am probably speaking too emotionally rather than logically but I think that we have a lot of people that want to buy houses, a lot of people [*Inaudible 3.26.25*].

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Thank you very much.

The Bailiff: Deputy Blin.

Deputy Blin: Thank you, sir.

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I also support this amendment and I have appreciated the heartfelt words from my colleagues. This is really a modest but important change to retain mortgage interest relief and to end the phased withdrawal, which was agreed under initially different economic conditions. When it was originally adopted interest rates were lower, mortgage costs were more manageable, and that is no longer the case. Today many households are now facing significantly higher mortgage repayments of hundreds of pounds more each month, which has a significant impact on their spend, and a time – as we know – that cost of living is already putting serious pressures on working families.

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But this relief is not generous; it applies only to the principal private residence, and at most several hundred pounds, or often less. But for many it does represent that small buffer. A little more certainty in an otherwise or getting more difficult environment.

Some rightly raised the position of renters. I agree; housing support should be fair and balanced. But withdrawing this relief does not help the renters, it only removes modest support from another group of households also facing rising costs. We need a broader housing policy, not a race to the bottom in tax support to match.

Then we have to look at it in a wider tax context. We do not know if the Corporate Tax reform will succeed; we do know that the GST has been earmarked for 2027 and that is going to increase household costs further across the board. So retaining this relief is not about favouring one group; it is about providing a degree of protection in a time of uncertainty.

Yes, there is a cost and we always on amendments look at the cost, and it looks at around £600,000 for 2026, rising over time. But within a Budget we are discussing over £600 million, this is both absorbable and justifiable, especially when the alternative is to remove yet another measure of support from households who are already carrying their share: working, paying tax, raising families, trying to keep pace with rising costs whether they own their home or aspire to.

So this is measured and fair and a timely amendment, and I do support it and I do commend Deputy Matthews and Deputy Goy for bringing it, and I urge others to support this.

The Bailiff: Deputy Hansmann Rouxel.

Deputy Hansmann Rouxel: Thank you, sir.

In a continuing theme I too am feeling very conflicted by this amendment. I was initially drawn to it and then looked into the history of it as much as I could within the time limit. It was interesting to read some of the quotations from different Members throughout the debates when it was frozen and then obviously reintroduced. The theme of renters subsidising homeowners did stick with me, but I did find the points raised by Deputy Kazantseva-Miller relevant to how we look at our whole system.

I think in this debate we have accessed – in the holding pattern of this debate of our whole Budget process this time, the holding pattern is that we are waiting for our structural deficit debate to happen next year; this is not where we make these long-term decisions. I actually feel that I am more drawn to sticking with the amendment than voting it down, so I have changed my opinion listening to this debate.

I think it should be revisited. If it does pass and we do freeze the mortgage interest it should be revisited and perhaps targeted to more lower-income houses, even though £85,000 is the means test in the cut off. I think the points raised and the direction given to both Housing and P&R Committees to actually target it more at those who want to get on to the housing ladder. I think it is quite defeatist of us to think that renting is inevitable. There are many people that are in the rental sector who could afford a mortgage if they were able to get on to the ladder, and I think that is the key piece of the puzzle that we actually need to focus on.

Yes, there is an exorbitantly unaffordable rental sector at the moment, but that does not mean that those individuals could not, were they so empowered, pay a mortgage. I know that my mortgage at the moment is half of what somebody in the rental sector would be paying for the same property, and that inequity is just not acceptable. We are not going to solve that by readjusting the mortgage relief away. It does benefit some people; perhaps there are some people such as myself and Deputy de Sausmarez, who do not need the relief, but it still does help people on the lower end of the spectrum. Just simply removing it is a blunt instrument.

So I do think that I am going to vote for the amendment, having listened to the debate, however, I would hope that the Committees in charge of it – Housing and P&R – take away this debate and actually by next year, once we have had the really difficult fiscal policy debate and all of those things are in place so that at our next Budget we are looking at more targeted relief rather than just carrying on the way we always have.

Thank you.

2555 **The Bailiff:** Do I understand you correct, Deputy Hansmann Rouxel, that you do have mortgage interest relief at the moment and you were declaring an interest?

Deputy Hansmann Rouxel: No, sir.

2560 **The Bailiff:** Okay, that is fine.
Deputy Leadbeater.

Deputy Leadbeater: Thank you, sir.

2565 I rent in the private sector, so like Deputy Ozanne at the moment I know that rental costs have soared over the last 10 years, maybe far more acutely over the last five years. Where I live a friend of mine lived in a one-bedroom place and he was paying £1,250 a month. He moved out and that was then straight away marketed for £1,650 a month. These are the kind of figures we are talking about. It is a one-bedroom flat.

2570 My starting point was exactly as Deputy de Sausmarez pointed out, how can we be seen to be helping these people when we have got this problem with these extortionate rental costs. I do understand and I sympathise so I have gone a bit like Deputy Bury; even though I am not going to be supporting the amendment I do sympathise with the bringing of the amendment and I sympathise with some of the people who have spoken as well.

2575 First-time buyer support; Deputy Inder, Deputy Williams, Deputy Oswald; quite a few people have spoken about this, and I really agree that if we are going to be focusing our attention in this area it should be at those that need it most, not a complete blanket approach where even the most wealthy people if they still have a mortgage, they have got quite a decent –

Deputy Goy: Point of correction.

2580 **The Bailiff:** Point of correction, Deputy Goy.

Deputy Goy: The mortgage interest relief is already means tested at £85,000.
Thank you.

2585 **The Bailiff:** Deputy Leadbeater.

Deputy Leadbeater: Okay. I am still not going to support it.

2590 I think it is going to go through, I really do, but what I would have liked to have seen is an amendment saying something like to direct P&R to go away and do a piece of work that can look at assisting first-time buyers in particular, because then it can be more targeted towards the areas of concern that Members have got. Members have got concerns, like Deputy Inder talked about their 50s and stuff that do not generally need any assistance in this way from Government. But this is a continuation of a policy that we have had for quite some time now.

2595 I did a little bit of Googling to see which other countries and jurisdictions have still got this relief because it has been phased out right the way across the board for many years now for the reasons that have been articulated by Deputy [Inaudible 3.37.44].

2600 Five came up, we have got the United States, Netherlands, Denmark, Ireland, Guernsey and Sweden. But when you look at the history it is completely different because the Netherlands is based on their capped lowest income tax rate of 37.48%. It is apples and pears. It is really difficult to compare ourselves with other jurisdictions that still have this relief.

I do not really remember all of the arguments going back to when the policy was first set in train, but I am uncomfortable and I am not able to support this without any proper justification that we

are doing the right thing, we are specifically targeting the right people. I do think it is going to go through –

Deputy Kazantseva-Miller: Point of correction, sir.

The Bailiff: Point of correction, Deputy Kazantseva-Miller.

Deputy Kazantseva-Miller: Sir, I have just done a quick research on ChatGPT and according to the quick research 17 out of OECD country members record measures that support mortgage interest payments.

The Bailiff: Deputy Leadbeater.

Deputy Leadbeater: Thank you.

Yes, there was more, there are detailed examples, they gave detailed examples; but then you can look at the Russian Federation, Estonia, Finland, Iceland, Italy, there are other jurisdictions. They have not got it in Jersey, which we generally bench ourselves against.

But I have not really heard an argument here that is going to change my mind. I sympathise with people that are just getting their foot on the ladder. I do. But I do not think this approach is the right way. I think we need a proper justification if we are going to be reversing this policy that has been set in train for a while, for a very good reason. So if the amendment was asking P&R to go away and do some work and bring some proposals back that takes into consideration some support for first-time buyers, and to come back by the next Budget with some proposals, I would support that. But the amendment as it stands, I just simply cannot support.

Thank you.

The Bailiff: Deputy Burford.

Deputy Burford: Thank you, sir.

It has been interesting listening to this debate and it has morphed from where it started with the proposer's speech, into people generally saying that we realise this is not really needed by people who have had a mortgage for maybe 15, 20 or 30 years but it could help first-time buyers. But that is not what is on the table here. There is some sort of protection insofar as these allowances start getting clawed back at £85,000 but that is starting to get clawed back, so it does go up an awful lot higher than that.

I think the issue here is that if it is people who are trying to get on the ladder that we are trying to help, this is not the mechanism with which to do it. One example I will give is that in the past when we, and indeed other jurisdictions, have tried to help first-time buyers with the cost of home ownership, one of the measures has been to suspend or lower Document Duty for first-time buyers, and it has been shown time and again that what this does is simply pushes up the house prices by an amount equivalent to what was saved, and the market just shifts to adjust it.

This is a much smaller amount but I still think that as far as it is measurable this risks doing the same thing, and we ultimately will not be helping the people – I will give way to Deputy Inder.

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

I accept the distortion that Document Duty could [Inaudible 3.41.32] that if Document Duty is, at point of purchase, an advantage, which is distinctly different to a long-term mortgage interest relief, which is less likely to distort the market, versus Document Duty.

Deputy Burford: Thank you.

Yes, I do think it is less likely than Document Duty but I think that the principles remain the same. Most of the things that we do or can do in this respect risk pushing up house prices by the same

amount. Now, interest rates have fallen over the last year or so, so there has been some pressure – admittedly not if you are on a five-year term – but there has been some downward pressure on the cost of mortgage payments.

So really I am not averse to looking at ways that we can help people in home ownership, but I really think it has to be a much more considered way of dealing with it, and not simply on the back of an amendment, which does not appear to be doing what most of the people who are coming out in favour think it will do.

Thank you.

The Bailiff: Deputy Collins.

Deputy Collins: Thank you, sir.

As many people know, I got married this year so unfortunately what comes with that, the move to move out of family digs into my own home, so me and my wife are currently buying a house for the first time. Obviously I am age 45 and for the next probably five or 10 years I will be skint so, to be honest, age will be important, so just because I am 50 I probably will not have any money.

For me I am really conflicted about this. I was part of that Treasury & Resources back in 2013 when we first started talking about this, and it got sort of kicked to the 2015 tax and review debate. The comment about Document Duty is absolutely right. I have got to find £20,000 for Document Duty. If you were going to help me get on the housing market, that is the better help.

So I am really conflicted. As Housing members would know, over the last sort of month or so I have been banging away about how can we help first-time buyers, how can we do TRP, and there are lots of things we can do but we just have not had time to do something on the hoof, to come here and say, 'This will help.' How will it help? We do not know.

So I am really conflicted about this and I perhaps have not really made up mind of which way I am going to go. I do not know if I have to declare an interest but I think from January I will have a mortgage so I might have some interest, but at the moment I do not have a mortgage. So either way, I have declared that I possibly do have an interest.

There is not much more I can add to the debate but I think it has been a worthwhile debate and I have certainly heard the arguments both ways. For me obviously it is very sad to be moving out of my family home and joining the real world, and it is going to be a struggle, but I look at the interest rate on the mortgage and the cost of it, it is substantial, and I do understand. My mortgage is going to be pretty high so it is pretty scary. But you are absolutely right, it is a bold decision to do that and if you are going to help me with a few quid here in mortgage relief maybe I am grateful, I do not know.

I am still really conflicted, sir, I do not know how I am going to vote on this one. I will continue to think on that.

The Bailiff: I will turn to the Vice President, Deputy St Pier, to speak on Amendment 4, please.

Deputy St Pier: Thank you very much, sir.

Before I begin I would just like to put on the record my apologies to Deputy Sloan in the last debate by referencing his doctorate from the bogeyman school of economics. No offence was intended. I attempt always to try and keep debates light; that does mean there is a danger of crossing a line and I think on that occasion I probably did, so I have apologised to him in person but I wish to just put that on the record.

I think it is probably worth beginning this particular debate by looking at the arguments that were presented in 2015 that persuaded the States then to begin this journey of withdrawing the relief, and so I will read a section of the relevant Policy Letter, which obviously was an extensive one, as Deputy Collins referred to, the Personal Tax, Pensions and Benefits Review at the time. The Policy Letter said:

There are a number of issues with mortgage interest relief that make it undesirable to continue its provision in the long term: because the amount of relief granted increases with interest rates, provision of this allowances passes a portion of the risk of increases in interest rates from borrowers to income tax revenues (and therefore, to tax payers in general); because the relief is incorporated into the calculations used by lenders to assess how much a household can borrow, over time it has resulted in an upward pressure on house prices.

2710 That was Deputy Burford's point and there is obviously a question of whether mortgage lenders have or have not taken it into account in their current calculations. Thirdly:

It offers a subsidy on housing costs which is not available to those who do not have a mortgage and is therefore inequitable.

2715 That I think speaks to Deputy Ozanne's reference of being structurally unfair. The report went on to say:

Providing mortgage interest relief is irrational and asymmetric in the absence of taxation on the corresponding income (i.e. imputed rent – the market rental value of a property) on owner occupied property.

Actually that used to be the case in the United Kingdom in the 50s and 60s. That is exactly what they did. If you were a homeowner rent was imputed to you and you paid tax on it.

Analysis suggests that withdrawal of mortgage interest relief, when combined with an increase in personal allowances may have a strong progressive impact. As reflected in analysis provided by Oxford Economics, and advice received from the FAD suggests that the immediate withdrawal of mortgage interest relief could reverse the upward pressure it has exerted, effectively suppressing house price increases for a period of time. However, both the shock to the housing market from this downward pressure and the impact on individual householders can be softened by withdrawing this allowance over a period of time.

2720 Hence that explains the 10-year phobia. So that kind of gives you the background. I think it has been a useful debate in flushing out people's views on this issue. I think Deputy Curgenvin certainly spoke to an emotional response, and I think that has come through quite strongly in the debate. It is an instinctive response that many people, they feel that the mortgage interest relief ought to be supported.

2725 I think it is also worth addressing this question of whether this is effectively a means-tested allowance because it is withdrawn. Well, that is correct and that means testing begins effectively at £85,000. But you would need an income of £178,500 to have lost all of your personal allowances and your mortgage interest relief of £3,500. So that gives you some context of where this lies.

2730 It is also worth bearing in mind that this £3,500 per taxpayer, so that is £7,000 per joint household. So you would then need a joint income of £357,000 in order for all of this to be truly means-tested. So in that sense, we have to accept that it really does meet the test of being a regressive tax in the nature, it operates in a regressive manner.

2735 So this really is about the macro question of redistribution. In this case, effectively from renters, who of course include a higher proportion of lower-income people, to homeowners. Also, of course, that recognises the intergenerational inequity, which is one of the things we have recognised in our tax system, in that our tax system is skewed more to benefit those in older generations than younger generations. This is actually counter-intuitively to everybody thinking this is great to help first-time buyers. Actually what we are doing is counter-intuitively helping older generations at the expense of younger generations who are trying to pursue their taxes.

2740 It is also interesting that those who have spoken most strongly in favour of this amendment, and perhaps speaking quite most strongly in favour of the last amendment in terms of containing expenditure, we have to recognise that this will add £3.5 million to our structural deficit. That is the impact of what we are doing.

2745 Now, Deputy Matthews's comment, as he was closing his opening speech, that we proceed with this withdrawal of mortgage interest as the road to ruin, he said that is a little hyperbolic. The senior economist has estimated that in the last 10 years, rents have increased in real terms by 20%, but

over the same period, the average mortgage debt has not increased in real terms at all. That is the best estimate we currently have.

I will give way to Deputy Gabriel.

Deputy Gabriel: Thank you, Deputy St Pier, for giving way.

I was a little confused by the statement you just made around the structural deficit adding £3.5 million, whereas in the explanatory note of the amendment, we are told that it adds £600,000 per annum, and then does extrapolate up after 2029 in future years.

Deputy St Pier: Thank you, sir; and I am grateful to Deputy Gabriel for giving me the opportunity to expand on that.

Yes, he is quite correct, but of course I am referring to the fact that one of the points I was going to make is this is an extension of Deputy Matthews's amendment last year, which was continuing to envisage the withdrawal of relief. This, by freezing relief at its current level, effectively bakes in that loss of future revenue that we had previously expected to be receiving because we were expecting withdrawal. By moving from where we currently are, as a result of Deputy Matthews's amendment last year, to this new model of freezing it at £3,500 over those next few years, when we had previously built into the model the assumption that we would be receiving more revenue, we will no longer receive that revenue. So the net effect of that is, and the best estimate is, £3.5 million. But that will of course depend on interest rates as well over that period. So it is a little bit difficult to predict.

I think it is worth noting, in relation to Alderney, that there will be fewer mortgage-holders in Alderney because of the nature of the population there, and of course they will have lower levels of debt. So it is just an observation, but I know the Alderney Representative has other comments in relation to this.

Ultimately, this comes down to a question of what is the best way of using £3.5 million to assist first-time buyers? What are the opportunity costs of proceeding with this amendment? I referenced in my opening speech that there was a commitment by the Committee to look at assistance with savings for first-time buyers, enabling people to get on the property ladder, to help Deputy Collins and others to save the £20,000 for stamp duty and so on. There was originally a Proposition attached to that, but that Proposition came out in the drafting because it was felt it was not a substantive Proposition as such.

However, I would suggest that there is, in light of this debate, maybe merit in a Proposition being put into the final Propositions, which is probably a direction to Policy & Resources and the Committee *for* Housing to work on this, with a view to bringing proposals to the Assembly next year. That is focused on assisting first-time buyers, and that would be a better outcome than supporting this amendment.

Certainly, sir, the commitment I will give is that, if Members are minded to reject the amendment, I will certainly work overnight with the Committee and indeed with the Committee *for* Housing to put together such an amendment to ensure that there is an appropriate Proposition that enables the will of the Assembly, which is to direct assistance at first-time buyers, but to do it in a focused way rather than with this blank instrument.

I am not going to give way.

So, with that, sir, I do encourage Members to reject the amendment and, on the back of that, that work would be undertaken overnight.

The Bailiff: Finally, I invite the proposer of Amendment 4, Deputy Matthews, to reply to the debate, please.

Deputy Matthews: Thank you, sir.

I will address Deputy St Pier's comments first. Deputy St Pier mentioned that he went back to the 2015 Policy Letter, which talked about mortgage Income Tax relief being undesirable, and

2800 irrational and asymmetric. Now, at the risk of introducing a new argument, sir, this is made in a number of points in debate, this idea that homeownership should not be supported is something that appears to be endemic in the official view that we should not support homeownership, private homeownership. It is an expert view.

2805 I went back even further than 2015. I went back and looked at a Billet from 2003, and the then Advisory & Finance Committee were developing something called the Corporate Housing Programme. There are an awful lot of consultants involved in this and consultancy reports, and all the way through Housing we ask consultants to tell us how these things should be run. But I will quote this just because it is very indicative of the sorts of views that you will often hear. There is a line in here where it was a consultant called Michael Parr from a London consultant. He said:

I do not find the argument for private home ownership very convincing. There is no reason that social housing cannot be properly managed and maintained.

2810 Then he went on to say, and I quote:

However, many go further and argue that owner occupation is the preferred and best form of housing, and that the States need to encourage and support owner occupation. This sort of argument underlies the view that the vast majority of Guernsey locals ought to be able to buy their own homes and that States need to assist them in that, either through general interest tax relief, preferential loans, or requiring low-cost homes to be built. I find little economic merit in such a view.

2815 I find that sentiment absolutely horrifying. I would encourage Members, for historical interest, if nothing else, to go through and read that report. But I just think that it permeates current thinking and it is the idea of the cold, hard economic reality that home ownership is to be discouraged, I cannot support, and there are so many incidental benefits from home ownership that just are not explored. Home ownership does generate a greater sense of security. It encourages economic growth in our finance and encourages us to be a more successful finance centre.

2820 So, moving on, sir, to addressing the comments in the debate. Deputy de Sausmarez said that the relief is now factored out by lenders. Well, yes, it is, because it is on a downward trajectory or it has been on a downward trajectory. If it were not on a downward trajectory, then lenders would be able to include it. Certainly, in my experience, lenders do take it into account, or they certainly did. They will look at the future projections of where it is likely to be, I would assume, in making that calculation.

2825 She also made the point that some people might not need the money, which is a point that I addressed in my opening speech. It is true that it is not as well charted as it could be, but I do not think that is a reason not to have the support there for those where it is needed.

2830 Deputy de Sausmarez said that we should encourage rental, not just as a last resort, which goes back very much to that official view that we should have a mix of tenures and that rental should be encouraged. That is old-fashioned thinking, because that type of thinking stemmed from a time when it was thought that perhaps it would be better to have this broader mix of tenures and have other things happen.

2835 Recent experience shows us, if you look at the very steep rise that Deputy St Pier referred to, a 20% increase in rent versus very little change in mortgage repayments, is that it is just getting more and more expensive to rent. Encouraging home ownership is a very good and very desirable thing to do, which is something that Deputy Gollop mentioned in his speech. There is a generational inequality aspect and that some would want to encourage more rental; I am sorry, I disagree with that view.

2840 Deputy Ozanne, she said she can barely afford her rent and that we should support renters. Deputy Ozanne and I have spoken about this on a number of occasions and I really respect Deputy Ozanne's view on this. The point that I have, on those occasions, debated with Deputy Ozanne about is that financially it is incredibly difficult to support people in the private rental sector. You cannot just provide a subsidy and have that benefit tenants. You can to mortgage

holders because the mortgage is crystallised when you buy the mortgage and interest rates change, but the amount you borrow does not change, whereas rents go up.

So, if you financially support tenants then effectively you are just subsidising landlords. Although you can introduce other regulatory mechanisms, which we have done through housing standards, and you could introduce rent control, as Deputy Williams mentioned, which we will get to later on.

Alderney Representative Hill made a really strong point about this, is that encouraging home ownership – he said that those people were like gold dust, that you encourage permanence, you encourage people to stay on Alderney. Well, it is not just Alderney, it is Guernsey as well. You do encourage people to stay and put down roots, and these are exactly the sort of people that you want to encourage in your Island to grow a successful economy and one that has a bit of permanence and not just a transitory workforce that comes in and goes back out again.

Deputy Hill also mentioned something which I did not mention for once in my speech about property tax, and Alderney has a higher rate of property tax that can recoup some money from property owners. Now, if you are clever about how you do that, property tax then taxes everyone whether they have a mortgage or not, so you can tax home equity if you tax through that route. But it is true. If you are concerned about the fact that your mortgage income tax relief is not very well targeted, then there are other ways to address that.

Now, Deputy Kazantseva-Miller, I thought, made a really, really strong speech and had exactly the thought that I thought reading the Budget as a whole. It comes across as an anti-homeowner Budget. If you are reading it and you are looking at the implications of it, it does not look like it is supporting home ownership because there is a TRP increase as well. But what she made a really good point about is why is it necessarily bad to support one group of taxpayers over another? The answer had been given, really, by Alderney Representative Hill; that you might want to support a group of taxpayers to buy their own homes, to put down roots, because you want to support your economy, your Island, to build a sense of permanence.

I also very much agreed with Deputy Kazantseva-Miller's idea that a lot of the arguments against are, well, are we not robbing Peter to pay Paul; they are very much slice-of-pie arguments and not looking at growing the pie as an overall thing. That is what we should be looking at.

Deputy Sloan, I thank you for your support. I hope that you are able to support the amendment. As a general principle, it is a good idea to support home ownership. The economics of this are so difficult to work out because there is so much behavioural change that is involved. But that as a general principle, you cannot be wrong by supporting home ownership as a general principle.

Now, Deputy Inder echoed that sentiment, that essentially he would rather see homeowners than renters, and that is the way that you really feel like you are contributing and you are living in Guernsey, not just on Guernsey. That is what, as a Government, we ought to be supporting. I have spoken to Deputy Inder about this before, I agree that the phasing out and the targeting could be better targeted. But my argument is, do not remove it, change the way that you are targeting this relief.

That speaks to Deputy St Pier, who talked about the amount that this would cost if, hypothetically, this were to carry on indefinitely and it would in fact end. My argument is that we should be helping people to buy a home and young people and families to buy a home. So the implication of Deputy St Pier's statement that it would eventually end up costing a lot of money is that you would not then use that money to help first-time buyers in any way, or you would not use it in some other way.

It would just become a saving that you would then use in the general revenue budget, which my argument, and my argument in favour of this amendment, is that we should be supporting home ownership and first-time buyers and people to buy property. If we do not do it through this mechanism, we should do it through another mechanism. So the idea that we can make a saving by withdrawing it and spend it somewhere else, to me, is counterproductive. I do not think that is a good use of money.

I think Deputy Goy really said in his speech, when I get to it, there are good ways of spending money and this is a useful way of spending money.

Deputy Niles said that home ownership is aspirational and it encourages people to be less reliant on landlords or the States. That is one of the things. If you have less home ownership, you are necessarily pushing people into reliance on some other form of property and occupation. So you are going to push people, and quite a lot, you may end up pushing towards social housing. So you are shooting yourself in the foot.

Deputy Oswald, I thank you for your support and it is a really interesting point about that we have a rent subsidy in HSC and, if one of the real issues in healthcare, that we have this really high turnover of staff. People come over, they receive their benefit and after it was two years, it was increased to four years, once that ends generally an awful lot of them leave. That can be really damaging in healthcare, especially when you have occupations where people build a really strong relationship with patients. It is like social workers. They have really built a relationship with children and families and then they leave and someone else comes in and they have to start all over again. If we can encourage home ownership and permanence, then that has to be a good thing in HSC and across the board, in my view.

Deputy Williams; I hope Deputy Williams is able to support this, that is what I got. but he said that we should be targeting, and if it is the same as me, we should be targeting first-time buyers' tax relief, which this does to an extent but not as precisely as it did.

Deputy Williams, in his views, shares the views of the consultants KPMG in 2017. So their housing report was very strongly in favour of providing much more help for first-time buyers in numerous different ways. That is through the planning system and through document due fees and through other mechanisms that States can use to try and help first-time buyers.

We have not successfully been able to do that. It would be easy to argue that we should remove this relief if we had put in place a really strong portfolio of a selection of help for first-time buyers, which we have not. I would encourage P&R and Housing to look at ways, how can we encourage first-time buyers, because that is clearly what the market needs; it is clearly what the public needs, to be able to support Guernsey to be successful.

Deputy Bury; I hope I can still win Deputy Bury's vote, but Deputy Bury went back to the 2015 debate and looked at the arguments that were there then. What I would say, and it is quite often the argument is presented that we are supporting, Deputy Burford made this point as well, that if you subsidise homeowners or a group of homeowners in some way, you will just inflate the market and that would be counterproductive. Part of the argument in 2015 was that we should remove all Income Tax relief because it will help inflate the market.

If you look at jurisdictions where this has happened, if you look at the UK, the UK had a general interest relief, much as we did, which they removed in 1974 to make Mortgage Income Relief At Source (MIRAS), they deducted it when you fill out a tax form to do it, which was abandoned or cut in 2000. Largely it was a disastrous move, cutting it in 2000; it caused all sorts of market instability. But I would ask Members to ask themselves: has the UK seen a big stride forward in housing affordability since the year 2000? It may take a while to think about it; I can answer it, no. Housing affordability has not improved in the UK since the year 2000.

I would like to thank Deputy Goy, of course, for seconding the amendment, and also he made a very good point.

Deputy Curgenvén –

The Bailiff: Deputy Matthews, your 15 minutes are up, I will give you 30 seconds leeway to finish your speech.

Deputy Matthews: Thank you, sir.

In that case, I shall just thank Deputy Curgenvén, Blin, Hansmann Rouxel, and I would just urge Members to please consider the implications of the changes, and that we really ought to be supporting home ownership on the Island. I urge you to support the amendment.

Thank you.

The Bailiff: Now, Members, are there any Members here who wish to declare an interest? Okay, so anyone who has spoken in debate should have declared the interest before they spoke. (**A Member:** Yes, sir.)

No, I am just explaining that, but let me just run around the room so that it is put on the record that interests are being declared. I will start here. Deputy Gabriel, Deputy Burford, Deputy Humphreys, Deputy Parkinson, Deputy Niles, Deputy Strachan, Deputy Blin, and Deputy Rochester.

Now we can go to the votes. On Amendment 4, which is proposed by Deputy Matthews, seconded by Deputy Goy, which, if successful, will change Proposition 1. I will ask the Greffier to open the voting on Amendment 4, please.

There was a recorded vote.

Carried – Pour 23, Contre 16, Ne vote pas 1, Did not vote 0, Absent 1

Pour	Contre	Ne vote pas	Did not vote	Absent
Blin, Chris	Burford, Yvonne	Montague, Paul	None	Le Tocq, Jonathan
Curgenvin, Rob	Bury, Tina			
Gabriel, Adrian	Cameron, Andy			
Gollop, John	Camp, Haley			
Goy, David	Collins, Garry			
Hansmann Rouxel, Sarah	de Sausmarez, Lindsay			
Helyar, Mark	Dorrity, David			
Hill, Edward	Falla, Steve			
Inder, Neil	Humphreys, Rhona			
Kay-Mouat, Bruno	Leadbeater, Marc			
Kazantseva-Miller, Sasha	Ozanne, Jayne			
Laine, Marc	Rochester, Sally			
Malik, Munazza	Rylatt, Tom			
Matthews, Aidan	St Pier, Gavin			
McKenna, Liam	Williams, Steve			
Niles, Andrew				
Oswald, George				
Parkinson, Charles				
Sloan, Andy				
Snowdon, Alexander				
Strachan, Jennifer				
Van Katwyk, Lee				
Vermeulen, Simon				

The Bailiff: Will you now please close the voting, Greffier?

So in respect of Amendment 4, proposed by Deputy Matthews and seconded by Deputy Goy, there voted in favour 23 Members; there voted against 15 Members; 1 Member abstained; 1 Member is not present at the time, and therefore I will declare Amendment 4 carried.

[Amendment 3](#)

In Proposition 8, immediately after "Ordinance of the States" insert "subject to the following amendments to section 2:

in the table in paragraph 2:

in subparagraph (a), for "90.5p" substitute "88.8p";

in subparagraph (b), for "61.4p" substitute "60.3p";

in subparagraph (b), for "90.5p" substitute "88.8p";

in subparagraph (c), for "90.5p" substitute "88.8p"; and

in subparagraph (d), for "60.5p" substitute "58.8p";

and

in the table in paragraph 3: for "60.5p" substitute "58.8p".

2970 **The Bailiff:** The next amendment we are going to move to is Amendment 3, if Deputy Ozanne wishes to move Amendment 3 now.

Deputy Ozanne: I am hoping it might rub off. Thank you, sir.

2975 I must start by declaring an interest. I drive a 10-year-old petrol car, which by today's standards consumes far more fuel than it should. Like many Islanders, it will be years before I can realistically consider an electric car. While I am fortunate to rent a home with off-street parking that would enable me to charge an electric vehicle, many Islanders face an additional switching barrier. They simply cannot charge an electric vehicle at home as they often only have on-street parking.

2980 I want to be totally candid about what this amendment can and cannot achieve. Firstly, it will not, sadly, provide a major windfall to households that are really struggling with the cost-of-living crisis, though it is far more, I would suggest, double what P&R are claiming; delivering a pound saving for top-up for the average family car. Of course every little does help, but this will not, I recognise, generate large savings for most households. To do that, we would need to reverse the 25% increase in fuel duty we have imposed on Islanders over the last six years, taking us back to

2985 when fuel duty was just 70 pence a litre rather than the current proposed 90 pence a litre.

Secondly, fuel duty is by nature a broad tax, meaning that any reduction will indeed benefit some richer households as well as the less affluent, for which I would include middle-income households in Guernsey. That said, we know that older, less efficient, vehicles are most likely to be owned by those who are the least likely to be able to afford an electric car, and therefore this proposed

2990 amendment is one of the only ways I have found in our budget proposals of disproportionately benefiting them.

Unfortunately, we have little up-to-date data to show exactly how many car owners fall into which category, but what we do know is, thanks to the figures supplied by the President of E&I to me last month, is that the second-hand electric vehicle car market has yet to really take off here in

2995 Guernsey, which is that which is most likely to benefit middle-income households.

Thirdly, the cost of this amendment is £400,000, which I would respectively suggest in the grand scheme of the whole Budget is not a vast amount of money to find. We have just seen that in approving the last amendment, especially given the nature of some of the conservative assumptions baked into income projections, and also when compared to the size of our ongoing structural

3000 deficit. That said, the good news is that there is, as I will shortly outline, an easy and far fairer way to quickly cover this shortfall, which could be swiftly implemented had we the political will by simply adding a line with one new question to the 2025 Income Tax return.

So what is this amendment really about? For me, it looks to emphasise three core principles that I believe should guide every fiscal policy decision that we make. The first core principle is fairness,

3005 which is the platform on which I chose to stand in the election, and one that Deputy Rylatt spoke so eloquently about earlier. I believe it is deeply unfair that those who are the least able to afford fuel-efficient cars, and certainly least able to afford electric vehicles, are having to shoulder the greater part of the fuel tax burden.

Six years ago, the then President of E&I, Deputy Barry Brehaut, acknowledged that electric

3010 vehicles can be heavy and wide road users, and so he said it made sense for owners to contribute. Yet today, six years later, electric vehicle owners still pay nothing towards the upkeep of our roads. As a direct result, there is now a £400,000 shortfall generated by both an increase in electric vehicle usage as well as a switch to newer, more efficient petrol cars by those who can afford them. It is therefore those with the least efficient cars that are now having to make up this shortfall.

3015 That is why my amendment looks to reduce fuel tax duty by a similar amount, that was £400,000, meaning that these car drivers are not bearing the tax burden that is subsidising, in other words, their richer counterparts. In fact, you could argue that this amendment would mean that these less-affluent Islanders are making the same collective saving of £400,000, which directly equates to my proposal of RPIX minus 1%. It is for me a point of principle, one that seeks to ensure that we do

3020 not inadvertently tax poorer Islanders in order to subsidise richer Islanders, which I hope all here would be agreed is deeply unfair.

My second principle is realism, which both Deputies St Pier and Sloan have mentioned. The stark reality is that many hard-working Islanders are really struggling right now. I do not just mean those who are receiving income support, I am thinking about many key workers who I know are using food banks, which are currently nearly empty, or teachers I know who are doing extra shifts at Waitrose, or admin assistants working evening shifts in the hospitality sector, all to make ends meet. I would add now, indeed, those who see home ownership as a pure pipe dream and would dearly love to be able to have a mortgage.

The States' Inflation Bulletin makes it clear that inflation is hitting less affluent households hardest, and I believe it is critically important that our fiscal policy recognises and starts to address this. Currently I fear there is nothing in the Budget that gives any hope to Islanders that we, the States, understand just how challenging life is for so many middle-income Islanders, the squeezed middle who are constantly expected to keep paying for a tax system that I believe is broken and in need of deep root-and-branch reform. That particular debate is for another day where we must look at our Corporate Tax structures, but for now it is individual Islanders who are bearing the brunt of our broken system where the less affluent are shouldering, in the case of fuel duty, more than their richer counterparts.

My amendment seeks to give hope to those who desperately want to know that we get it. It gives concrete proof that we want a fairer and more just tax system by reducing rather than increasing real-term duty on an item that is for most a necessity rather than a luxury such as tobacco and spirits. We are putting a stake in the ground to say to Islanders, we get it and we are going to do things differently now. We are setting a different trajectory, one which will look at new ways of helping you where we can.

My final principle is one of taking decisive action. For many years we have talked about introducing a tax on electric vehicles, but we have yet to see any propositions to make it happen. Electric vehicles have been on our roads for over 10 years now in ever increasing numbers, and there will come a point inevitably when we will have to change our tax structure and charge them to ensure our roads are maintained. Surely it is well past time that we have righted the wrong of allowing those who can afford some of the most expensive cars on our roads to get away with not paying anything towards their upkeep.

If we were to follow the UK car tax system, which I use in the example as it is preferable to plucking figures right out of the air, we would charge on average £195 a year on the 2,000 electric vehicles –

Deputy Gabriel: Point of order, sir.

The Bailiff: Point of order, Deputy Gabriel.

Deputy Gabriel: 17(6), sir. Taxation is not necessarily relevant to fuel-duty taxation.

The Bailiff: If we can bring it back, Deputy Ozanne, to what is proposed in the amendment, that would help.

Deputy Ozanne: Sir, I am explaining how we should fund the shortfall, so for me it is integral to the debate. I did not hear –

The Bailiff: That is really for general debate.

Deputy Ozanne: Okay, I did not quite hear Deputy Gabriel, for which I can only apologise. Could you help me understand what Deputy Gabriel said?

The Bailiff: Okay, so he raised a point of order saying that the debate was not relevant to this amendment, which is Rule 17(6). I have sort of agreed with him that you are talking about matters that do not reflect in this amendment.

3075

Deputy Ozanne: I understand, sir.

I will not talk further about how I see we can fund the shortfall, but I think Members have heard that there is room for improvement.

3080

So I would ask you please to consider and endorse the three principles at stake here: fairness, realism, and taking decisive action to make things more equitable for all Islanders. Above all, I believe fairness must shape and guide our fiscal choices. Critically, Islanders' trust in this Assembly depends on it, and for too long our fiscal policy has been seen by many to favour the rich. It is time we proved otherwise and take concrete actions that show we are willing to correct this unfair imbalance which many feel is deeply discriminatory.

3085

So I urge you to please support this amendment. It will not only make a tangible difference to Islanders struggling in these difficult times, but it will also demonstrate that this Assembly is capable of fair, practical and principled action.

Thank you.

3090

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

Deputy McKenna: I do, sir.

The Bailiff: Deputy Gollop.

3095

Deputy Gollop: I should declare I am President and member of the Committee, Organisation of Living Streets and also of the Green Party of England and Wales. A lot of people have talked about having a degree of conflict, and I suppose the pure green view is to discourage use of motor vehicles and other things.

3100

On the other hand, a key element to the Green Party, who are not just interested in reform of landlord and tenant, but almost would like to see a reduction, for example, in private landlords altogether, would be towards social inclusion and social equity. Deputy Ozanne has spoken very eloquently about that and the nature of things being unfair, and the perception, even if we do not hear detailed commentary, that those who are utilising electric vehicles perhaps are not paying their way.

3105

What we do know is the old days, just slapping up petrol duty and getting loads of money in to pay for social services is no longer there. It is a tax that is not really working and yet it is a much higher amount to the States than we are seeing in the UK or elsewhere.

3110

The only area I might take Deputy Ozanne to task on would be her description in this context. I think she said voluntary; tobacco and spirits being luxuries. Well maybe spirits at Christmas. But for many people they are addicted to one or the other and I would argue – we will come on to that in the main Budget – that all these duties are by their very nature regressive and they disproportionately affect the lower earning, and that is a point in itself.

3115

Deputy Gabriel horrified me earlier when he said that the first amendment had gone through, there might be the possibility of bus cuts or bus fare increases because of the budgetary constraints. Again, we have been content as a society, even since COVID, to see those who are less well-off, those who are struggling, lots of young children, those who are in essential occupations like shop assistants and working all hours, not really having a particularly high standard of living, and they seem to be paying the burden on these additional charges rather than those with broader shoulders paying. We lack the realism of that and instead we are targeting people.

3120

I have also realised that, if you look back again in other places, for a long while the Liberal Democrats were rather greenish and used to campaign for higher motoring costs. Then they realised they were losing seats in the West Country and elsewhere because many of their

3125 constituencies, rural Scotland, rural Wales, etc., were places where incomes were lower than some cities or suburbs and distances were greater. Another issue of this kind of tax is it makes it more expensive to live out west or up north than it does to live in town for some people, and Alderney already has higher costs, but we will not go into that.

But you have to look at what behaviour you are trying to encourage or discourage and, if your goal is to have more active travel for the sake of argument, then you would have a completely different philosophy than just crudely ramping up to what is already high, the cost of fuel.

3130 I know over the years I meet up with electors and constituents who have never forgiven me for saying many years ago in a debate that motorists were a cash cow that we milk, as if that was in itself a good thing. They missed the nuance of what I was getting at. The first is the nature of a cow is, when you milk it, it delivers milk, and we were using that to gain revenue. But we are now seeing it, like we are with other duties, a situation of depreciating, declining, vicious circle of return. But 'cash cow' was a technical phrase that was used in a management consultancy, the Boston Consulting Group, about different products and it talked about stars that were rising upwards for example and at the end of their life they are dogs. A cash cow was a brand that an institution used knowing, a bit like Christmas trees each Christmas, would get people to go out and pay.

3140 But nowadays we are getting resistance to that. What we are seeing are people in the vanguard, in the zeitgeist, gradually acquiring electric cars and more efficient hybrid vehicles and usually those people are probably successfully off financially or perhaps they are driving corporate vehicles or are older. Whereas the people who might be pensioners, who might be young parents, who might be workers who have to do shift work, as Deputy Ozanne has pointed out, will have the less fuel-efficient vehicles. We are already having an MOT system that maybe Jersey is looking to have, but that is a different topic. We will end up paying disproportionately more.

3145 I do think more work needs to go into the budgets this term, and indeed our whole tax structure, about ensuring that it is fair to those on all incomes and that we do not just willy-nilly put up rates that disproportionately, as we saw on the front page of the paper yesterday, target the less well-off.

3150 So I do think we should give this amendment some support today.

The Bailiff: Deputy Oswald.

3155 **Deputy Oswald:** Members, I find myself conflicted again. I have discussed with Deputy Ozanne the merits of her Proposition and I am afraid I find myself going back to the premise which I originally held this morning in that I feel that carrying her amendment does not confer the economic benefits that we have just heard related to in the amendment proposed by Deputy Matthews.

3160 Having said that, I totally sympathise with a few in that we need to spread the burden of road taxation to the electric vehicle segment. Indeed, I would go further than that. In any reconsideration of the duty applied to vehicles, we should be looking also at taxing those very large fuel-driven vehicles which are hogging our roads at the moment.

3165 So I am afraid, Deputy Ozanne, I cannot support your amendment as it currently stands but I certainly totally see where you are coming from.

Thank you.

The Bailiff: Deputy Gabriel.

3170 **Deputy Gabriel:** Thank you, sir.

While I appreciate the intent behind this amendment to support those most affected by the cost-of-living rises, I must respectfully speak against it and the narrow focus of fuel duty. Reducing fuel duty in real terms by RPIX minus 1% may seem like a compassionate gesture but it risks undermining several key policy objectives.

3175 Lowering fuel duty sends the wrong signal at a time when we must be accelerating our transition to cleaner transport. It risks incentivising continued reliance on fossil fuels, particularly older, less-efficient vehicles which contribute disproportionately to emissions and air pollution. Transport pollution is the biggest contributor by percentage to on-Island emissions by some 34%. These emissions disproportionately affect the young and the elderly who often fall into the bracket of those we are trying to help most.

3180 The challenge we have is reforming the current system in a way that it is both effective and fair and that is a bigger bit of work that my Committee, along with P&R, is already under resolution to undertake. We know that fuel duty is a significant revenue stream at £22 million and, contrary to popular belief, not in the gift or making of Environment & Infrastructure Committee but P&R, hence it is included in the Budget.

3185 Members have stood up in debate in amendment 1 and explained the impacts of budget cuts and this amendment does present a real-terms reduction in income but is relatively modest. If our goal is to support lower-income households, that really needs to be done through more fundamental reform. Ironically enough, a blanket fuel duty reduction of 2p per litre disproportionately benefits wealthier drivers and does so little as to be next to nothing to help those genuinely in need.

3190 While it is true that lower-income individuals may drive older vehicles, they likely still spend much less on fuel than their wealthier counterparts, effectively counting the pennies, and reducing fuel duty by this amount does nothing to help them transition to cleaner, more efficient and more affordable alternatives. Instead, we should be investing to make those alternatives more accessible and affordable, coupled with the revision of transport taxation more generally.

3195 E&I by majority supports that work and the outstanding resolution that I mentioned earlier that E&I and P&R are bound to deliver.

3200 In conclusion, sir, this amendment, though well-meaning, risks compromising our environmental goals, weakening our fiscal position, and delivering poorly-targeted support. I certainly will not be supporting it and I urge Members to reject it and instead work together with me and my Committee towards more sustainable and equitable solutions.

Thank you.

3205 **The Bailiff:** If no one else wishes to speak on the amendment at this time, I am going to turn to the President, Deputy de Sausmarez, to speak to Amendment 3, please.

Deputy de Sausmarez: Thank you, sir.

3210 I was having a conversation with a journalist this morning in anticipation of just an informal chat and we were looking forward to the Budget debate, and I said, 'It does feel a bit weird because we have only got 5 amendments and none of them are being brought by me.' That really is a turn out for the books because the journalist replied, 'Yes, I can remember Budget debates when you brought five on your own thing.' But I did tend to specialise in amendments which focused on transport initiatives often and of course on initiatives that would help mitigate the cost of living on those who are struggling most in the community.

3215 So, superficially, people may assume that this is the kind of amendment that I might have been tempted to bring, and I certainly applaud Deputy Ozanne and her motivation and the way in which she has presented it. However, I will not be supporting this amendment because it is based on a number of perfectly understandable, but incorrect, assumptions.

3220 So the first assumption is that people who are less well-off in our community, in fact the explanatory note does stipulate that this is trying to support people who are in the lower financial quartile of our society, but the assumption is that those people pay disproportionately more than their wealthier counterparts on fuel. The evidence does not bear that out interestingly. Deputy Gabriel has just touched on this in fact. They are in fact likely to spend, when you compare 3225 the lowest quartile with the highest quartile, roughly half as much on fuel per year. I also have to

explain that the fuel duty element is only one component of the cost of fuel and obviously things like the wholesale price is a much bigger factor in terms of the variance.

So the extension of the logic goes that if poorer people are paying disproportionately more for fuel then they are the ones who will disproportionately benefit. But that is not the case. This would cost, we estimate, in the region of £400,000, but the savings would be felt, the benefit would be felt disproportionately by wealthier drivers. There are a number of reasons. Deputy Ozanne is not wrong in some of the things she says and indeed I have said them myself many times in debates. These are issues that need to be tackled in a more comprehensive bit of work, and I will come back to that in a moment.

But when we look at the total effect, it remains the case that people in the lowest quartile, the lowest income quartile, pay very significantly less for fuel in an average year than people in the highest quartile. The people who would benefit most from this amendment are disproportionately wealthier people. But the quantum of the cost impact is also significant. It is important to understand the numbers we are talking about here. Deputy Ozanne did say that she wants to make a tangible difference to Islanders in difficult times and, my goodness me, I empathise on the difficult times bit, but really the difference it will make to the people in the lowest quartile who Deputy Ozanne is brilliantly trying to support would only be to the tune of about £5 to £6 in an entire year. So it is not going to –

Deputy Ozanne: Point of correction.

The Bailiff: Point of correction, Deputy Ozanne.

Deputy Ozanne: I would offer that it is £10. It does depend on what your average car user is and it is difficult without you giving the reasons for that £5 figure for us to justify, but certainly an average car of 50 litres, with the figures that we have got, it is £10; it is double what you are saying.

Deputy de Sausmarez: Deputy Ozanne might have fallen into the trap that I initially made, which is assuming that we are talking about percentages of the cost of fuel, and we are not. We are talking about percentages of the cost of the duty element of the fuel and the calculations that I have got from Treasury, and I have got them to check my sums, is that the difference between the Budget and the amendments, so we are talking very specifically about the difference between the RPIX minus 1% compared with the RPIX plus 1%, is to the tune – and it is broken down into different centiles, and had someone else spoken I would have been able to give the more definitive average for what it was worth. But basically the range goes from £2.83 in the very lowest quartile up to £5.45, that is the quintile; £6.28 at the upper end of the lower quartile if people see what I mean. So basically there are a whole range of different costs but it would average out somewhere in about £5.50. I had not quite finished that calculation when I was going to speak.

But basically we are talking about an average impact of about £5, £6 on average for lower income households over the course of the year. If we are talking about average households generally, we are talking in the region of about £13. So if we average everyone it is about £13 cost difference for the average Islander, but wealthier households would see a saving of maybe £30 or so. So there is a disproportionate benefit that goes to wealthier households who buy fuel.

Obviously, P&R has recognised, and this is something that I hope will be a feature of general debate, that times are tough and we have adjusted the personal Income Tax allowance to the tune of about £600 in recognition of the fact that times are tough, and I would argue that that is a much more substantive way to help Islanders manage the cost-of-living pressures that we very much acknowledge are there.

So I would argue that EVs in the context of this amendment is something of a red herring. I am very sympathetic to Deputy Ozanne and I can say that, hand on heart, and demonstrate my track record, because I am the author of multiple amendments directing exactly that. I have lost count of the number of times that P&R and E&I have been directed to do this bit of work. I tended to bring

it up every Budget just to make absolutely sure it was still on the agenda and it was not going to fall off.

3280 The reason it did not progress, even though E&I in the previous term did quite a lot of work on this, was we did not have a P&R who shared our enthusiasm for that work. But that has probably changed, so I was delighted to hear that Deputy Gabriel has confirmed that his Committee is committed to progressing that work. The work that I am talking about is a much bigger bit of reform and so I hope that Deputy Ozanne will take heart from this because it does tick all the boxes in terms of her core principles.

3285 Baked into that work must be the concept of fairness, recognising the inequities and the inefficiencies in the current system and making sure that whatever system we propose at the end of the day is a fairer one. Making sure it is realistic and sustainable, I would argue as well, and there is no need for us to have included a Proposition in this Budget because the relevant Committees are already under resolution.

3290 There was something in the Budget Report which makes this very clear under the transport taxes section, but perhaps we should have included a Proposition to note that this work has already been directed, and if I have got anything to do with it, and I have, it will be prioritised.

3295 So just a couple of points to address a couple of things that may help to clarify the situation. This is a chestnut. The idea that fuel duty pays the upkeep of our roads is not correct. It touches on a point that Deputy Kazantseva-Miller made in the previous debate. It is not hypothecated in any way, shape or form, and it very rarely is in any economies. It is typically general revenue and it certainly is in our case.

3300 The issue of EVs, the reason I say they are a bit of a red herring in the context of this particular amendment is because, even though when you look at the new vehicles that are being registered it is quite a high uptake, in terms of the overall number of vehicles, the numbers are still very low. But more to the point, this amendment does not do anything about that. So, irrespective of the saturation or otherwise of EVs in the market as it stands, this amendment does not address the issue of EVs.

3305 But Deputy Ozanne, and I hope others, may be pleased to hear that that is absolutely part of the overall work that E&I and P&R are doing on transport taxation more generally, and it is a drum that I have banged more boringly than anyone else. So I am enjoying the opportunity to do so again.

3310 Deputy Ozanne explained her logic when she opened about the £400,000 and she wants that to be saved by poorer Islanders. I have already explained the economic logic does not follow. Much more of that amount is saved by wealthy Islanders. So, in summary, it is a very well-intentioned amendment. It is one whose objectives I am deeply, deeply sympathetic with. But it is one of the amendments, and this has been a little bit of a theme where what we might emotionally want this amendment to achieve is not the result that it would deliver. So I hope I can reassure – I am sure Deputy Ozanne will still support her own amendment, but I hope I can at least assure her, 3315 irrespective of how it goes, that the work that she is hoping to see arise, given the concerns that she has well-articulated, is indeed very much in hand and will be prioritised by P&R and E&I.

3320 But, in the meantime, this amendment sadly will not achieve what its explanatory note sets out it hopes to achieve. There are much better ways of achieving it and we are on the case. So I would urge Members to please not support this amendment in the meantime.

Thank you.

The Bailiff: I will turn back to the proposer of Amendment 3, Deputy Ozanne, to reply to the debate, please.

3325 **Deputy Ozanne:** Thank you, sir.

Can I reiterate what I said at the start that this is about giving hope to Islanders who are really struggling, not necessarily tangible benefits. To do that we need to be shown to be fiscally astute but socially aware, and that is why I have focused on the issues of fairness, realism and active decision making.

3330 I want to thank Deputy Gollop for his speech in support of the amendment. He raises an interesting point about regressive taxes on areas of addiction and that we need a fairer fiscal policy. I think that is something which I hope during the next five years we will embrace.

Deputy Oswald is conflicted – there has been a lot of confliction today – he does not believe it will confer a benefit but he wants to spread the tax burden. I would suggest that there is some
3335 deeply unfair tax incentives in our fuel duty. Islanders have written to me in their droves to echo that. While I will stop from talking about electric vehicles, there is a deep-seated belief that our current policy is unfair and taxes those who will not be able to afford electric vehicles.

The average price of the electric vehicle is £49,000. The cheapest electric vehicle new on this Island right now is £25,000.

3340 **Deputy Leadbeater:** Point of correction.

The Bailiff: Point of correction, Deputy Leadbeater.

3345 **Deputy Leadbeater:** You can get a new MG3, which is a hybrid, it is not a pure EV, but that is £15,995 from Doyle Motors. Not an advert for Doyle Motors.

Deputy Ozanne: Deputy Leadbeater is quite correct, there are hybrids, but I was talking about electric vehicles, and the point still stands, whether it was £15,000 or £25,000. For those of us who
3350 look at cars under £5,000, that is light years away. That is why I asked about how many second-hand electric vehicles were in circulation. Because we are seeing that that uptake has not happened. There are some, I agree, but they are few and far between.

While I believe it is admirable, as Deputy Gabriel set out, that we have an environmental policy to try and look at how we reduce air pollution, there are many people driving fuel-inefficient petrol
3355 cars who would love to have electric cars but they are well outside their reach, and will be for many years to come. So to expect them to be able to change and to put more of the tax burden on them is deeply irresponsible and deeply unfair of us.

I hear Deputy de Sausmarez explain that the tangible benefit, whether it is £5 or £10, is not very much. But ultimately what the saving is as opposed to the proportion of that person's take-home
3360 pay is very significantly different. It may well be that they are using less money on petrol in real terms but as a proportion of their annual budget, a lower income household is spending far more on fuel than a higher percentile. It is that we need to remember and recognise in this Chamber. This Budget has been called by many a Budget for the rich.

For all the reasons that we have tried to explain to the public, we have looked at giving relief to private landlords, we have just given relief for mortgage owners, but we have done nothing apart
3365 from looking at raising that £600 in order to include the pensioners for those who are really struggling. It is that that I am trying to challenge with my amendment. That we give hope, that we show that we do understand that there is part of this Assembly who gets that we need a different trajectory, a different narrative, a different way of looking at things. That we do not just
3370 automatically rise plus 1% on RPIX each year.

I give way.

Deputy de Sausmarez: I am really grateful to Deputy Ozanne for giving way.

It is really just to explain that the Committee did give a lot of consideration to this. We would
3375 have needed to have raised fuel duty by RPIX plus 2% to maintain it, to maintain revenue at that level, so the Committee has already taken a hit on revenue in order to mitigate some of those cost pressures, as she has described.

Deputy Ozanne: I thank Deputy de Sausmarez for explaining that. I have not seen those figures,
3380 but certainly the savings it seems, or the way the Budget and fuel duty has shrunk £400,000, has

been caused by people moving to electric vehicles and using more fuel-efficient cars. That is how it is explained.

So I am trying to use that same saving and that same logic to help those who are in less fuel-efficient cars. I can hear the way the change is going and I feel very sad that we do not seem to want to prioritise or give messages of principled action to those who are really struggling right now. I do not agree that this will help richer households. I think it will sadly hit the budgets in real terms and in percentage terms of those who have to use a car, have no choice of moving to electric vehicles, and are finding fuel raised from 70p to 90p in just a few years. That is unconscionable.

But I beg people to consider this. It is only £400,000. It is a lot less than what we just agreed with mortgage interest and it will help virtually far more people who are in real time poverty.

Thank you.

The Bailiff: Members of the States, it is now time to vote on Amendment 3 proposed by Deputy Ozanne, seconded by Deputy McKenna, and I will invite the Greffier to open the voting on Amendment 3 please.

There was a recorded vote.

Carried – Pour 6, Contre 30, Ne vote pas 3, Did not vote 0, Absent 1

Pour	Contre	Ne vote pas	Did not vote	Absent
Gollop, John	Blin, Chris	Hill, Edward	None	Le Tocq, Jonathan
Goy, David	Burford, Yvonne	Niles, Andrew		
McKenna, Liam	Bury, Tina	Snowdon, Alexander		
Ozanne, Jayne	Cameron, Andy			
Van Katwyk, Lee	Camp, Haley			
Vermeulen, Simon	Collins, Garry			
	Curgenven, Rob			
	de Sausmarez, Lindsay			
	Dorrity, David			
	Falla, Steve			
	Gabriel, Adrian			
	Hansmann Rouxel, Sarah			
	Helyar, Mark			
	Humphreys, Rhona			
	Inder, Neil			
	Kay-Mouat, Bruno			
	Kazantseva-Miller, Sasha			
	Laine, Marc			
	Leadbeater, Marc			
	Malik, Munazza			
	Matthews, Aidan			
	Montague, Paul			
	Oswald, George			
	Parkinson, Charles			
	Rochester, Sally			
	Rylatt, Tom			
	Sloan, Andy			
	St Pier, Gavin			
	Strachan, Jennifer			
	Williams, Steve			

The Bailiff: In respect of Amendment 3, proposed by Deputy Ozanne, seconded by Deputy McKenna, there voted in favour, 6 Members; there voted against 30 Members; 3 Members abstained; 1 Member did not participate and therefore I will declare it lost.

[Amendment 5.](#)

To insert an additional Proposition as follows:

"To direct the Policy & Resources Committee to explore whether the approach to revenue potential forecasting for the Pillar Two Global Minimum Tax Model Rules used by the States of Jersey could be adopted by the States."

The Bailiff: Now the next amendment, as I indicated at the start of today, is going to be Amendment 5. I will invite Deputy Dorrity, if he so wishes, to move the amendment and make his maiden speech.

3410 **Deputy Dorrity:** Sir, thank you.

Upon review of the Budget 2026 document, I was interested to see how accruals for Pillar Two receipts have been included. This led me to compare our way with how our sister isle had dealt with the same issue and, to my eye, it seemed that Jersey had taken a more cautious approach than including these forecasted receipts.

3415 Jersey's Government has treated Pillar Two accrual with considerable restraint. In their Budget, they have excluded any receipts for Pillar Two in the future, only beginning to include them once the end time, the conclusion, has been set in 2026 onwards. In addition, they have explicitly earmarked these receipts for investment or reserves rather than for carrying out expenditure. This, to me, shows that Jersey recognises the volatility of this new revenue stream and is intentionally insulating its core spending commitments from the risk that forecasted amounts may never materialise.

3420 When we Deputies were brought together for a briefing on Pillar Two last Friday afternoon, I learned that the Revenue Service itself largely agreed with that interpretation. They explained that Jersey's system is calculated on a prior year basis, meaning that liabilities and profits only conclude the year after the profits are declared. Guernsey, by contrast, operates on a current year basis, accounting for profits in the same year as earlier.

3425 That technical distinction might sound minor, but it indicates that Guernsey appears to have been more optimistic than Jersey in its forecast. We are including assumed receipts earlier for both 2025 and 2026 even though the cash will not be banked until 2027. Those forecast figures are then being used as part of our revenue planning despite the considerable uncertainty that surrounds them, and it is precisely that uncertainty which sits at the heart of my amendment today.

3430 Like many of my colleagues, I welcome the potential for increased income that might be collected by the Guernsey Revenue Service through the OECD's Pillar Two Tax Initiative. Every additional source of income for the Island is of course helpful in our current fiscal plan, but I am equally conscious that these gains may prove smaller and more short-lived than we would like to imagine.

3435 I have two main points of concern relating to Pillar Two. The first focuses on the calculation of the expected Pillar Two receipts. The OECD's Global Anti-Base Erosion Model Rule, better known as Pillar Two, are designed to establish a 15% global minimum tax rate for large multinational enterprises. The explicit aim is to end what the OECD describes as profit shifting to low tax jurisdictions. For international finance centres such as Guernsey and Jersey, with a Zero-10 Corporate Tax regime and a stable regulatory environment, have long attracted international business. This initiative presents a fundamental challenge.

3440 It is possible that, once global tax liabilities are equalised, the incentive to maintain a base here may be diminished sharply. That in turn calls into question the reliability of the data on which we base our calculations. Our Revenue Service has used the last six years of country-by-country reports and tax returns for the basis of its calculations. But if those reports reflected profits that had been shifted here under the old regime, profits which the OECD now intends to be taxed, then they do not provide a sound basis for predicting future receipts.

3450 To put it plainly, if Pillar Two works as intended, then the profits that previously appeared in Guernsey may, in the future, appear somewhere else. The very success of the OECD's initiative would, by design, reduce the income we are forecasting at this point.

During the recent election campaign, which already seems very long ago, I was struck by how readily some candidates held that Pillar Two was a long-term stream of revenue, even a solution to all of our fiscal worries. I hope this is the case. My fear is that while the receipts for the first year and perhaps even the second may indeed look impressive, they could downturn sharply thereafter or disappear completely.

Rather than rushing out to the shops with what may appear to be a windfall, we would be wiser to treat this income with caution. We might think of it not as a new income stream but as something closer to a severance payment from the multinational enterprises that have contributed so much to our economy. Because, once the playing field is levelled, many of those companies will have little reason to maintain operations here, and their contributions will inevitably fall. If we accept that logic, it follows that the current forecasts, which assume steady receipts over multiple years, are at best uncertain and at worst illusory.

The second reason for caution lies far beyond our shores. The United States has not yet adopted Pillar Two and, under the current Administration, it has made clear that it will not do so in its present form. At the G7 meeting in June, there were reports that the US had reached what was described as a side-by-side understanding with other nations, and the main thing that would allow American companies to remain subject to US domestic taxing, rather than the OECD's Pillar Two framework. If that understanding holds, it could have significant consequences. The global minimum tax, as the name suggests, relies on broad international participation. Without it, the entire framework begins to fragment. Non-participation by the US would create an uneven playing field, giving American multinationals a competitive advantage, while leaving others.

For Guernsey, the implications are obvious. Many of the enterprises that are present here are US-accounted. If those companies were to be exempted, the Pillar Two revenues we are currently projecting would evaporate before they are ever received. So, what happens if those funds, the £39 million we have accrued for 2025 and the £40 million for 2026, never materialise? What if the global consensus falters? What if, through changes in US policy, or wider international pressure, the very mechanism upon which these forecasts depend, simply fails to work as intended? These are not merely abstract theories. They are reasonable scenarios that any prudent Government should plan for.

Since lodging this amendment, I have received helpful assurances from Treasury about the forecasting approaches between the Islands. They have pointed out, quite rightly, that Jersey's prior year basis and its higher proportion of US-accounted companies influenced the timing and scale of their estimates.

Even accepting that explanation, I remain of the view that we should approach this new revenue stream with utmost caution. The purpose of my amendment is not to criticise the work of our officers or to question their professionalism. It is simply to ensure that we, as a Government, treat income accruals in our fiscal planning as conservatively as possible in order to avoid overstating our financial position and to protect the Island against potential threats, should these be shorter than the accrual.

Those colleagues who know and work alongside me will know me as a generally optimistic person and may see my concerns as out of character. But, on this occasion, I believe it is the Pillar Two accruals in the Budget itself which have been overly optimistic. We all recognise the need for credible revenue forecasting, we all understand that optimism in a Budget can sometimes be mistaken for confidence, yet optimism is not a substitute for certainty and confidence must be built on reliable evidence.

By adopting Jersey's more measured approach, delaying inclusion until receipts are reasonably certain and ensuring they are earmarked for reserves rather than recurring expenditure, we would not be weakening our fiscal position. On the contrary, I believe that we would be strengthening it. We would be protecting our core services from the risk of shortfall and we would be sending them to the community, to investors and to the international bodies that monitor us, that Guernsey remains prudent, responsible and forward-thinking in its financial governance.

We all hope of course that Pillar Two delivers genuine and sustained income. If it does, we will all welcome it. But if it does not, let us at least be able to say that we prepared wisely and did not build a permanent spending commitment on a temporary and uncertain foundation.

So, my amendment is at part a modest one. It does not pre-empt the outcome of further analysis, it simply asks that the Policy & Resources Committee explore whether the approach taken in Jersey, an approach grounded in caution and transparency, might be suitable for adoption here. In doing so, we would uphold the principles of sound financial management that this Assembly has always valued.

Let us ensure that Guernsey's optimism is matched by realism, that our planning reflects not just what we hope will happen but what we can reasonably expect to happen. Because, if the experience of recent years has taught us anything, it is that global agreements can falter, markets can shift overnight, and what once looked like Guernsey's income can vanish with a change in policy half a world away.

I therefore commend this amendment to the Assembly as a prudent and proportionate safeguard, one that costs us nothing to explore, yet could save us considerable difficulty in years to come.

Thank you, sir. *(Applause.)*

The Bailiff: Deputy Sloan, do you formally second Amendment number 5?

Deputy Sloan: Yes.

The Bailiff: Thank you. Deputy Parkinson.

Deputy Parkinson: Thank you, sir.

Jersey's economy is different from Guernsey's in significant ways, and its tax system is different. Deputy Dorrity has referred to the fact that they tax companies on a preceding year basis, whereas we tax companies on a current year basis. But there are structural differences too in our financial services industry, which is at the heart of the discussions about the effects of Pillar Two.

One important difference is that Guernsey has a significant captive insurance industry, whereas Jersey does not have any of it. This is important because a large proportion of the projected receipts from Pillar Two come from, or are expected to come from, around about 100 of Guernsey's captive insurance companies.

Jersey, on the other hand, has a bigger banking sector than Guernsey, and in making their projections they have assumed a very high degree of volatility in Pillar Two tax receipts, a great deal of potential mobility of business, and of course in the banking industry a piece of business can be moved simply with a click with a mouse on a trackpad to another jurisdiction. Things like insurance companies are rather harder to move.

Guernsey's forecast for Pillar Two income is, I suggest, already very cautious. In my opinion, excessively cautious. The forecast assumes, for example, that 40% of captive insurance business will leave because of Pillar Two. This seems to me far too pessimistic.

The OECD two pillar solution was announced in 2019, so industry has known about Pillar Two for six years and has had plenty of time to plan its responses to it. Pillar Two has indeed been in effect since January of this year, so companies within the scope of Pillar Two are already accruing Pillar Two tax liabilities, and if they were unwilling to pay them surely they would have left us or be at least planning to leave, and we do not see any sign of it. Far from 40% of captives leaving, they all seem – or nearly all – seem to be preparing to stay.

Now, anecdotally, I attended a board meeting yesterday of a captive insurance company, of which I am Chairman, and I took the opportunity in speaking to representatives of the management company that looked after this captive to ask them if they were seeing any sign of captives leaving Guernsey because of Pillar Two. Bear in mind, this is their entire business, all they do is manage captives. The answer came back no. The individual I was speaking to is the executive responsible for

the company of which I am Chairman, said that he did not know of any companies that were planning to leave Guernsey because of Pillar Two.

I do not know where this 40% assumption came from. I have challenged it repeatedly at Policy & Resources Committee. I have accepted it for the purposes of budgeting and forecasting because it is obviously very prudent, and we certainly do not want to count on revenues that we are not likely to receive. Obviously, if there are any surprises at the end of this process by 2027, for example, when we start receiving the cash, we would like those surprises to be on the upside. I fully expect that is what we will experience. So, Guernsey's approach is already very cautious.

I have accepted the Guernsey approach out of an abundance of caution for the purposes of this Budget and I am not challenging those figures, but I am absolutely certain in my own mind that the receipts from Pillar Two will be higher than those predicted by Treasury.

Deputy Dorrity referred to the fact that the US in January of this year pulled out of the OECD two pillar initiative, and that is absolutely true. The rest of the world, or the OECD, has reluctantly accepted that because under the American Alternative Minimum Tax Regime, US-owned corporations end up paying taxes of at least 15%, that they can be treated as taxed to an equivalent level as they would be under Pillar Two.

That, of course, is not very satisfactory to the OECD because the thrust of Pillar Two is not only to ensure that the taxes paid by such companies were at least 15% but also to ensure that taxes were paid where they were earned. The motive behind Pillar Two is that there are a lot of companies like Google and Amazon which choose to base themselves in places like Ireland and trade all over Europe and pay taxes at a relatively low rate in Ireland, although, as I have said, back at parent company level they are probably paying taxes in the USA. But the point is, and the complaint of the Germans and French and the people behind the Pillar Two Initiative is that Google and Amazon were not paying tax in Germany or France. It is of little comfort, frankly, to the Germans and the French that they are paying tax in the USA, because the view from Europe is that these companies should be paying taxes where they earn their profits.

The Trump administration has been a bit of a rogue state on the international stage since the new President was elected and of course the Americans simply do not care whether the Germans and French feel upset that large American multinationals are not paying their taxes in Germany and France. Donald Trump is very happy for these companies to pay tax in the USA and that clearly is not terribly satisfactory from an OECD point of view, but that does not mean that the initiative is going to collapse.

There is a lot of the world which is not the USA. The rest of the world is of the view – about 135 countries remain signed up to this – that (a) large multinational enterprises should pay tax at a global minimum rate, and (b) that they should pay the tax where the profits are earned. So I do not think that Pillar Two is going to collapse any time soon. It is very unfortunate that the Americans have pulled out of it and it leaves an unsatisfactory situation from the perspective, certainly of Europeans, that profits which they think should be taxed in Europe are not being taxed at the minimum rate of 15% in Europe. They may well be being taxed at the minimum rate of 15%, but in the USA rather than in Europe. So Pillar Two is here to stay.

The European nations, particularly Germany, for example, have long been pressing for levels of tax harmonisation. They would like to see global minimum tax rates, and they are therefore massively supportive of the Pillar Two Initiative, and they are not likely to change their minds any time soon. Now, does it matter to Guernsey whether the USA has pulled out of the global initiative? Well, it does a bit. There are companies in Guernsey which are US-owned and there are companies, large groups in the finance industry, which are US-owned.

But there are not all that many of them. I am not going to name names. There are some broker-owned captive insurance managers. There are custodians which are US-owned. But if you look around our finance industry, most of the multinational enterprises which are represented on Guernsey are not American owned. Therefore, changes in the US tax policy towards Pillar Two very largely does not affect Guernsey.

If I had to place a bet on what I thought the potential losses of, for example, captive insurance business but other multinational enterprises might be because of behavioural change, I would say 10% maybe. I am not saying Guernsey will be completely unaffected by behavioural change because there will be some, but I do not think it will amount to the 40% that Treasury are predicting will be lost in the captive sector.

Deputy Dorrity is correct that, in the longer term, the moves towards tax harmonisation may reduce the attractiveness of Guernsey as a place to do business and business which might have been moved offshore might remain onshore. It is my belief that the threat to Guernsey in terms of competition on tax rates is not from Jersey. It is not from the Isle of Man. It is from London. These businesses could easily be conducted in Croydon. Why go to the trouble and difficulty of organising your business affairs in the Channel Islands, Guernsey or any of the other Crown Dependencies, if you could do the same thing in Croydon for less cost?

The answer to that is the 15% global minimum tax rate is still quite low by international standards. For example, the UK corporation tax rate is 25%, so simply on raw tax rates Guernsey would be competitive. But more importantly, many of these companies which are UK-owned, for example, and nearly all of the businesses are owned outside Guernsey, are subject to controlled foreign company regimes – that is a tax term – in other jurisdictions. So, in effect, their profits from their Guernsey operations are being taxed but they are not being taxed in Guernsey. In the case of subsidiaries of UK companies, their Guernsey profits are probably being taxed in the UK at 25%. That is the current situation.

So these companies on the whole are not deriving a huge tax benefit from being in Guernsey. If you talk to people in, for example, the captive insurance industry, why is the business here? Why do people set up their captives in Guernsey? The answers will be things like it is a good regulatory regime, they have got access to the regulator, it is all quite straightforward, there are professional services geared up to providing the audit, the legal advice, the actuaries, which insurance companies need. Guernsey has a significant population of actuaries. I think there are about three in Jersey. So the whole infrastructure is here to enable these companies to operate. So basically they like operating here.

In the longer term, because global tax harmonisation does undermine Guernsey's competitive position to some extent, the finance industry in Guernsey may not grow as much as we would have liked it to. Unfortunately, as we all know, it is currently not really growing at all. It may even be shrinking.

But that is not a problem for the 2026 Budget and it will not be a problem, I suggest, for the next few years. For the forecasts that we are making in this Budget debate, we are already being very prudent about what might happen. We do need to think very hard about what Guernsey can do to develop its economy so that we are not so dependent on finance. I am hugely supportive of any efforts to diversify our economy. Not just because of our vulnerability to losses of business in the finance sector but also to create a better variety of jobs on Guernsey to make it more attractive.

The Bailiff: Deputy Parkinson, your 15 minutes have expired.

Deputy Parkinson: Fortunately, sir, I have just about reached the end, so I will just say –

The Bailiff: No, you have got to sit down.

Deputy Parkinson: Okay, I will sit down. *(Laughter)*

The Bailiff: Deputy Inder.

Deputy Inder: Accruals, is not this just another word for unearned income? Deputy Parkinson may prove to be correct, and I genuinely hope he is. I genuinely hope he is. But his argument to not support this amendment is based on – these are his quotes – what he has heard at board level,

3660 certain in his own mind. Placing a bet, I do not think it will amount to 40%.. Where on earth is anything that Deputy Parkinson just said anything that looks like evidence? Thinking. Placing a bet. What he has heard. Certain in his own mind.

Now, I do respect Deputy Parkinson's moral position on tax. He knows I do. But hearing and thinking something and evidence of something is really quite different. Given his position along
3665 with how the election turned out, surely he must accept that there is a whole dollop of optimism bias in his position. He just wants this to work, because it justifies previous decisions. If you want something to work, it is ultimately going to change your position.

To me, it may come as a surprise, I am rather risk averse. The current position is this route to accruals, I think distorts the Island's true financial position and misleads you. I do not mean that
3670 unkindly, because I accept the biases that people want, as Members and Islanders, to the true financial position of the Island. If you have not earned it, and you think how on earth can you take a position when you think something might happen in two years' time therefore base your current position.

I know what accruals look like because once you have had particularly large contracts, which
3675 I have in my world, you know what you get. You have got set fees over a period of time, your contract goes on for three or four years, you have got certain revenue being generated over the month, and that is your position because it is written into the contract. This is not a contract. This is hope, as Deputy Niles I think mentioned. This is thinking, this is what people have heard, this is certainty in our mind.

3680 There is a danger that we are going to overstate what we mean and treating unearned revenue as immediate earned income in a Budget or financial statement makes us appear more profitable than it truly is, because this is what we want to happen, because of our politics, because of decisions we cannot make, or previously made, we wanted this to work. It sounds like, with the greatest respect, an amount of what I would call a responsible possibility.

3685 So just talking directly to Deputy Dorrity's amendment and Deputy Sloan, all this simply asks to direct the Policy & Resources Committee to explore whether the approach to the revenue presented before cost for the minimum tax model which is used by the States of Jersey could be adopted by the States. It is asking them to explore that. That is not a great ask and the chances are they may come in 10 minutes later and say, no, we have heard that, we think that, we believe that, the accruals
3690 are right. So the adoption of this makes no difference whatsoever because 10 minutes later they are going to come back, 'We think that, our gut feeling is, and I have heard at a board level and I am placing a bet.'

I will support this because I disagree with the way accruals are working; it is not something I reckon I can do in small businesses. I find it is too risky and perfectly frankly, I have said to anyone
3695 who will listen, I would not do with your money what I would not do with mine. I simply would not do this in the private sector, hope that something was coming down the road, unless it is signed on the dotted line there is a contract, either 3, 5, 7 or 12. I would not do it, so I am not going to do it here, so I will support the Deputy Dorrity and Deputy Sloan's Amendment

3700 **The Bailiff:** Are you going to be longer than two minutes, Deputy Sloan?

Deputy Sloan: I hope not.

The Bailiff: Yes, I will call you, Deputy Sloan.

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Deputy Sloan: Thank you very much.

I was planning not really to say anything, but to explain why I support this amendment. Discuss spending of revenues, people should be confident when they are coming in. The Budget includes an estimated £30 million for year two, £25 million for year three, £79 million here in the States'
3710 financial position without a single fund being raised and before, I believe, a single return had been filed.

We discussed this uncertainty, he has got an economist on it, he has got an advocate on it, he has got three accountants on it, and we were a bit concerned about the States' accounting policy, we had a question. The accounting policy is set out on page 112 of the accounts:

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The revenue can only be recognised when it is probable that the inflow of the resources will be received and reliably measured.

The first Pillar Two returns will not be due until 2026 and in the P&R's own estimate no tax will be collected until 2027. So we are wondering how it can be recognising £39 million for 2025 and we want to know if the States' auditors have been able to confirm if it is in compliance accounting policy.

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Sir, something that Deputy Parkinson just said just stunned me and that is why I thought I needed to speak this evening. It was when he said in that quite matter of fact way that the Treasury model was that 40% of the captive sector was gone. I am somebody that did do base erosion and profit shifting (BEPS). I sat there as an official and did the common reporting standard (CRS) discussion stuff like that, so I know this area. My concern is that suddenly it has popped out at this late stage that we are working on the assumption we are going to lose 40% of the captive sector. That to me would be quite a significant impact and that would affect companies and management of their overall ongoing commercial viability, and therefore that would impact on the long-term structural sustainability of those revenues.

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That therefore makes me wonder about the structural nature and sustainability of the revenues that we are now putting into the Budget. So my concern is deeper than something that Deputy Parkinson just said, and so therefore I felt the need to make that comment this evening rather than sleep on it for tomorrow morning. So, until these receipts are visible, verified and backed, sir, I am thinking they should be treated with caution.

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I do not believe this amendment undermines confidence, it reinforces it, and hopefully by showing our figures that the reality and the optimism, that is what sound, prudent financial management is. I hope Members will support the amendment tomorrow.

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Thank you, sir.

The Bailiff: Members of the States, we are now adjourned and resume at 9.30 a.m. tomorrow morning

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The Assembly adjourned at 5.31 p.m.