



OFFICIAL REPORT

OF THE

STATES OF GUERNSEY

SCRUTINY MANAGEMENT

COMMITTEE

Government Work Plan –
Policy & Resources
Public Hearing

HANSARD

**Castel Douzaine Room, Guernsey,
Monday, 30th May 2022**

No. 6/2022

*Further information relating to the Scrutiny Management Committee
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Members Present:

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

Mr Mark Huntington – Principal Scrutiny Officer

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Scrutiny Management Committee

Government Work Plan – Policy & Resources Public Hearing

*The Committee met at 2 p.m.
in Castel Douzaine Room*

[DEPUTY BURFORD *in the Chair*]

Procedural – Remit of the Committee

The Chair (Deputy Burford): So good afternoon everyone. Welcome to this Scrutiny Management Committee Public Hearing session with the Policy & Resources Committee. This hearing is being live streamed. I am Deputy Yvonne Burford and with me on the Panel today are Deputy Simon Fairclough, Deputy Adrian Gabriel, Deputy Gavin St Pier, as well as the Principal Scrutiny Officer, Mr Mark Huntington.

5 The hearing will concentrate on the first annual refresh of the Government Work Plan. This is the Plan that details the work this Assembly will do this term over and above the normal business-as-usual work of Government. The GWP document can be found on the States' website and there is a link to it on the Scrutiny Guernsey Twitter account. The Plan will be debated by the Assembly in the States' Meeting commencing on Tuesday, 28th June.

10 The Panel of the Scrutiny Management Committee is grateful to those Members of P&R and its officers who have given up their valuable time this afternoon to answer questions ahead of the States' debate, so that matters can be explored, and the community can be better informed.

15 There are a significant number of workstreams and information in this update and in a two-hour hearing we can only hope to address a small part, so the Panel has tried to concentrate on issues of wider public interest and where significant sums of public money are involved. Following this session, the Scrutiny Management Committee will decide if any further review activity relating to today's session will be undertaken and a transcript of the hearing will be available on the Scrutiny website in due course.

20 We will have a short break at around about 3 p.m. and expect to finish the hearing by approximately 4 p.m. If everybody would kindly ensure that mobile phones are set to silent, I will now turn to our witnesses today.

EVIDENCE OF

**Deputy Peter Ferbrache, President;
Deputy Heidi Soulsby, Vice-President;
Deputy Mark Helyar, Member;
Deputy Jonathan Le Tocq, Member;
Ms Bethan Haines, States' Treasurer; and
Mr Steve Wakelin, Chief Strategy and Policy Officer –
Policy & Resources Committee**

The Chair: Would you please introduce yourself, starting with Mr Wakelin.
25 Thank you.

Mr Wakelin: Hi, thank you. Steve Wakelin, I am a civil servant. I am the Chief Strategy and Policy Officer in the States of Guernsey.

30 **Deputy Le Tocq:** Deputy Jonathan Le Tocq, Member of Policy & Resources, lead for external and constitutional affairs.

Deputy Soulsby: Deputy Heidi Soulsby, Vice-President, Policy & Resources Committee.

35 **Deputy Ferbrache:** Peter Ferbrache, President of the Committee.

Deputy Helyar: Mark Helyar, Deputy and Treasury lead on Policy & Resources.

40 **Ms Haines:** I am Bethan Haines, Chief Resources Officer.

The Chair: Thank you.

So starting off, then, what progress has been made on negotiations with Jersey and Condor on a long-term operating agreement?

45 **Deputy Ferbrache:** I think I can start with that, and perhaps if I could ask Mr Wakelin to jump in, because he is the man who keeps us informed.

Jersey has got into a bit of a purdah at the moment, as you can imagine, because they have got an election in June and they will elect their Chief Minister, I think about 5th July. We have had regular discussions. We have had some at political level, but officer level considerably more, with our
50 colleagues in Jersey, and the likelihood is that we will be, hopefully, entering into a, if I could call it, tripartite agreement with Jersey in relation to the operating agreement, but the purchase of the vessel will be something that will be a Guernsey activity of the Investment Fund and will have a commercial return. We will follow on. The two will come together, if you understand what I mean by that. That is the intent at the moment.

55 Is there anything you want to add, Steve, to that?

Mr Wakelin: Actually, this morning we had a call, officers with officers from the States of Jersey and also from the Ports of Jersey, who are obviously separate and distinct entities, and the conversations are continuing, albeit Jersey, as the President has said, is in purdah. Further
60 information has been requested by both the States of Jersey and the States of Guernsey, and the ports of Jersey, from Condor that has been shared and that officers and others are looking through at the moment. So progress is being made.

The Chair: Okay. Some four and a half months ago at the last hearing, you announced the
65 purchase of a boat. So that is still very much on track, is it?

Deputy Ferbrache: It has taken longer than I thought because I actually said by the end of January, if the Panel recall. (**The Chair:** Indeed.) That was undue optimism on my part, but it is still on track and again, perhaps without breaking any commercial problems or concerns, if I could ask Steve to just again say where we are with that.

Mr Wakelin: My understanding is that the conversation between the investors in the vessel – the potential investors in the vessel – and Condor are in a good place and the ball, I suspect, is in both of their courts, rather than the States’.

I think the discussions with Jersey have included that as well, because the most important part perhaps of a long-term operator agreement is a plan for investment and to understand around investment and reconfiguration of the fleet over time. Not just in terms of schedule capacity and demand, but also of course with the different environmental standards there will be for vessels in the coming five, 10, 15 years as well.

So there is a number of different matters that are being poured into place at the same time. I think it is a matter of public record that the operating agreement is in the wind-down period. Jersey’s operating agreement was a bilateral one with Condor. So that hopefully will help us to accelerate the process as well.

The Chair: Okay.

What is the role of the *Liberation* in this going forward? Is that something that is part of this negotiation?

Deputy Ferbrache: Well, we have had general discussion. It is nothing to do with the purchase of the vessel in the sense that ... But we have had discussions which include what is going to happen to the *Liberation* and other requirements, as Mr Wakelin has said, because other vessels in the fleet will need replacing in a relatively short period of time and that has all been part of the discussions.

The Chair: Right, but there is no firm decision on the *Liberation* that you are able to share?

Deputy Ferbrache: Absolutely correct.

The Chair: Okay, thank you.

Deputy Ferbrache, in the last P&R update, you talked about the significant shortfall in the staff resource available to implement this Plan, and the SMC has also had similar confirmation from other Committees in their hearings. How will you ensure the States has the staff resources available within the public sector to deliver this revised and pruned-down version?

Deputy Ferbrache: It is going to be difficult. There is no simple answer. Appendix 1 shows, the Monitoring Report, what has happened over the last 12 months or so. This is meant to be, and again, we do not know the final form of it because it may well be amended between now and the 28th, 29th June when it is debated. All we can do is say that we will make our best efforts to ensure that there is such resourcing as may be available. But certainly no guarantee can be given by Policy & Resources that all the resources will be there to meet all the requirements. I do not know if the Vice-President wants to add anything.

Deputy Soulsby: The States is experiencing the same issues as the rest of Guernsey and further afield: getting people that are needed to fill roles. At the same time we do not want the States to be taking all staff that could be helping grow the economy. So it is very difficult, but, again, if we find that we cannot get the resources, we will have to adjust things as we go.

But we are working on the basis, and how this has been planned, was that it can be done with the resources that we have or resources that we know that we can get hold of. Whether we can or not is another matter. We have lost, I think, four people from the policy team itself, for different

120 reasons. Some wanting to go back to the UK, they have not settled here, others finding new opportunities to develop themselves that they have not been able to do before. So there is all manner of different reasons, but we are going to have to resource that up to make sure that we can do quite a bit that is in the Plan. But we are facing the same issues as the rest of the businesses in Guernsey.

125 **Deputy Ferbrache:** Just to add to that, the DPA have lost four or five planning officers. They find it very difficult to recruit. They are trying in the UK, as you would expect, but again, that is an important cog in the workings of the States.

130 **The Chair:** So it comes to the point, because when we talk about resources, obviously we have financial resources and we have staff resources, and although obviously staff are a financial cost, in this case you are talking specifically about finding the right staff, rather than having the money to pay for the staff?

135 **Deputy Soulsby:** Yes. That has been the case for a while now. It is not so much the money, it is about finding the people to take the posts on that we need.

Deputy Ferbrache: Yes. So the answer to your question is yes.

140 **The Chair:** Are measures being taken to address that shortfall, maybe by increasing the attractiveness of the packages or looking further afield?

145 **Deputy Soulsby:** It will depend on what the jobs are in different parts of the States. But yes, absolutely thinking about how we can do things differently and I think we have got to box clever on this and say, making it attractive, at the same time we are looking at how we get people, if they come over here, to find houses. So that is the difficult situation we are in. And people say, 'Oh, why has this been going on and on?', but it has not, really. It is something that has definitely been post-pandemic. A lot of people coming over here, we did not have these issues before.

150 There has always been an issue in trying to attract people here and hoping that they stay, but the situation we are in now, post-pandemic, is very different from what it was before, and we have got to be very careful that what we do do is not dealing with a short-term issue but making sure that what we have got is something sustainable for the future.

155 **The Chair:** As Policy & Resources, as the employer, are you mindful of when there is a pressure to find staff that nevertheless you still need to find the right staff?

Deputy Ferbrache: Indeed. (**Deputy Soulsby:** Absolutely.) There is no point just filling a job with a person who is not satisfactory.

160 **The Chair:** Mr Wakelin.

165 **Mr Wakelin:** I was going to add to that point, particularly the point that Deputy Soulsby made as well, about doing things differently and making them sustainable. So one of the examples of that is how the Committee for the Environment & Infrastructure has established a Nature Commission. So working with partners in the Island where there is not just capacity but also significant capability from the voluntary sector, from the Community Foundation and others, and that is a very different way of trying to approach still meeting the priorities of Government – in that case, the Strategy for Nature – and trying to find other ways of bringing resourcing in as well. So that commissioning part of it becomes important over time too, and hopefully that will be an example that will enable us to do more of that.

The Chair: So there are no guarantees that other work will not be removed from the Plan, in that case?

Deputy Ferbrache: This will be, in its final form, the States' Plan. And that is not just a mantra, that is an effect. All that everybody, all the States' Members can do in their various Committees is try and ensure that as much work is done as possible. But I gave an example – and it was just an example – before of the planners being four or five planning officers down. What they can do with their vast workload will be determined as to whether they can get satisfactory planners to fill those holes.

Deputy Soulsby: The key here is the priority actions that have been identified. Whatever the States agree at the end of June, those are where resources will really go. Whatever resources we have got, that is where the focus will be. Then it is what resources ... We plan to make sure that we have got resources for other work, but that might not happen because changes in personnel, other stuff relating to these actions might make it harder. We are dealing with the whole of the States, so many different things; the goalposts are moving all the time. But this is trying to get some kind of order into the whole system of government, as much as we can.

The Chair: Okay, thank you.

Deputy Fairclough: Are you satisfied, then, Deputy Soulsby, that you have got the staff to meet the priority actions? I understand that there are gaps in the States, but in terms of those priorities that you have identified this time round –

Deputy Soulsby: What I can say, from a policy point of view, those policy officers that are needed, losing four people, they are going to be replaced, but that will take some time to get people up to speed. So yes, there are real difficulties in being able to manage it, it is just because of the environment we are in, but that is where the full resources will go and that is where the focus will be.

Deputy St Pier: Whilst we are talking about priority actions, there is an interesting sentence, the very last sentence of the policy letter, where you say:

The Committee, however, is not unanimous in its agreement that all the actions listed in category one should be priority recovery actions when compared to other pressing issues and priorities, and as such this should not be seen as priority recovery actions of the Policy & Resources Committee.

So you have emphasised that it is a matter ultimately for the States, but when you then look at Appendix 5 and Appendix 6, Appendix 6 is your comments on the Committees, (**Deputy Ferbrache:** Yes.) you do not draw out those comments any further. So could you just expand for us today on where the Committee is in disagreement, either with itself or with the Committees, in terms of what the priority recovery actions are or should be, please?

Deputy Ferbrache: As somebody who was in favour of all of them, I am in the majority in relation to that. But I think those that are in the minority or take a view that the passage that you have just cited towards the end of the policy letter, I think they can speak for themselves, but what they are concerned about is that critical issues such as housing and financial issues are the key issues, because we mentioned housing, their problem to get people to work for the States or anybody else at the moment is because of difficulties with buying or renting a house at a reasonable price, they are concerned about that, more than the economy. They do not ignore the rest, they do not say that the rest is bad, they just say, bearing in mind where we are, those are the issues that we should concentrate on, the States should concentrate upon.

220 **Deputy St Pier:** So who is in the minority? Who wants to speak to that point, then? Or are all of you present here in the group –?

225 **Deputy Soulsby:** Well, I support them. For me, yes, if it was me individually, would these have been the same actions? They might not be. But I am happy with these actions because they reflect the broad breadth of Government, making sure that we are covering things off that we need to do. We work in the consensus system of Government, and I was happy for this because it came out of all the work that the officers had done, working with the Committees, bringing out the key aspects of the key areas that Committees believe need to be focused on. Where there were cross-Committee views that they agreed with that they thought, well, that is what we need to develop on.

230 So that is how it evolved. It was not, the 10 here, were not things that as a Committee we had discussions on and said, 'Oh, this, that, the other.' It really did come up from a Committee level and I think, for me, it is a good, broad balance of things. But it is up to the States to decide. It is their Plan, after all; it is not P&R's. So whether we agree or disagree is probably not as relevant as the fact that we have to get the States to actually agree something.

235 **Deputy Ferbrache:** I agree with Deputy Soulsby's comments. What our individual views are will be a matter for the debate on 28th June, but ultimately, they are just views of 38-39 people, however many people will be there on that day.

240 **Deputy Le Tocq:** Just for the record, I supported the majority view here, but I do understand, having seen several iterations of Government business plans of various sorts, that we have always been overambitious. I think this is the best of the lot that I have seen, and of course timing-wise, for some of the reasons we have just discussed previously, we are unlikely to be able to achieve all that we have got here.

245 So I can understand those who say we should narrow it down even more, but there is, in my mind, a debate as to how much time we spend horizon-scanning for what is reasonable and what is not. I think it is reasonable that we should aim for this, recognising that we probably will not achieve, certainly in the timeframe concerned, all the things that we expect to achieve.

250 **Deputy St Pier:** Deputy Helyar, do I take it you are in the minority?

Deputy Helyar: I was in the minority, yes, but I accept that we reached that view as a democratic process, and it is what it is. I am not here to answer personal questions about my views; that is the Committee view.

255 **Deputy St Pier:** Yes, but the Committee view, as expressed in the policy letter, is that you are not in unanimous agreement, so I am trying to establish who is not in unanimous agreement, and you are part of that.

260 **Deputy Helyar:** Yes.

Deputy St Pier: Presumably, Deputy Mahoney as well? Where is Deputy Mahoney?

Deputy Ferbrache: He is out of the Island at the moment.

265 **Deputy St Pier:** And Deputy Mahoney's position? (**Deputy Ferbrache:** Sorry?) Deputy Mahoney's position?

270 **Deputy Ferbrache:** Well, Deputy Mahoney can speak for his own position. I think one of the passages, and rightly you draw that to our attention, but the point is this is not a P&R plan, this is a States' –

Deputy St Pier: No, I understand that. Yes.

Deputy Ferbrache: Sorry if I could just finish the point. We had a healthy debate – we always have healthy debates on every issue – but we had a healthy debate on this particular issue. Everybody's view was constructive, but certain people had different emphasis. That was all. And in fact, if you read, as I am sure everybody has, from paragraph 1.8 of the policy letter, which quotes from a policy letter of 12th February 2021, and I think these words are equally appropriate today:

The ambition of the new Assembly is prodigious and cannot easily be met, so the reality is that it will be making difficult decisions.

I think some of our colleagues were just saying, look, we should be sharper. They were not criticising the process, they were not being negative, we have consensus Government, and we made the decision that is recorded in the policy letter.

Deputy St Pier: Okay. My final point, before I hand back to the Chair, and this is probably for officers to take away. I think actually if you had merged Appendix 5 and 6, it would have made it an easier read, to read the comments of the Committee and then the comments of P&R against the comments of the Committee; it would have just been a little easier to follow. So if that could be taken away as an action for the next version, please.

Thank you, Chair.

The Chair: Deputy Fairclough.

Deputy Fairclough: Yes, just picking up on the actions – and we have referred to one already – raised by Committees, the case for investment in a new Dairy is discussed. It appears that P&R may not agree with the recommendations emanating from the States' Trading and Supervisory Board (STSB). The Roffey-Ferbrache amendment that has been submitted for debate will, if successful, allow the project to be included in the 2023 Plan. Could you tell us what the P&R position is regarding the timescale of constructing a new Dairy?

Deputy Ferbrache: It is a very difficult question because my previous role was President of the STSB, there were problems with the Dairy then. Built in the early 1950s, it has had some work done to it along the years, but it is a patch and mend. The latest figure that we were given was that the cost of replacing the Dairy with all the kit that needs to be done moving along would be in excess of £35 million. That was a figure that was significantly more than the figure that we had been quoted before, and our view was that it needed more, no pun intended, scrutiny. It needed more consideration. So therefore we were not prepared to advance it this year and what the amendment proposed by Deputy Roffey and seconded by me says is we will look at it very much next year.

Deputy Soulsby: Which effectively will set by Resolution what we were intending to do anyway. **(Deputy Ferbrache:** Yes.) I think the majority of us here believe that a new Dairy is needed. I was on the Dairy Review Board, I had a lot to do with it, the review that was debated in the last term but one, and I believe we very much need it. But it was around what are the specifications, what are we actually getting here? Do we need what was in there? I think we need to be a bit more forensic in what we end up with, instead of just saying we need big specs done.

I have to say the work done by the people that we used to specify and show what was needed in a dairy and the research they did was very good. It was very comprehensive, very good, but we are just questioning, to say look, we have got to look at value for money. Do we need that bit of kit specifically? Does it need to be that size? It is just so we have got more assurance that we are spending the money wisely. So it is not stopping things, it is just making sure that before we get through to all various business cases that we have got something we can work with. And then, after

that, of course it is making sure that we have got the money for it, because at the moment, if we support the Dairy and put that as delivery, it is extra money that is going to have to be found.

Deputy Fairclough: How important is the dairy industry to Guernsey, would you say?

Deputy Ferbrache: I would say very important.

Deputy Soulsby: I agree, yes.

Deputy Ferbrache: Sorry I did not mean to interrupt you! Very rare, dangerous for me to do that! *(Laughter)* But it is very important. As an economic enabler, I would not look at it from that, but it is like, I read an article from Jeremy Clarkson in something the other day, and he was making the point that in relation to certain places in Wales, you finance sheep farms because it is good for the environment, it is good for the countryside, but it is never going to make any money. Farms in Guernsey are small – even the biggest farm is small – but if we did not have a Dairy, we would have cheap imported English milk, we would lose our countryside, we would lose our herd and Guernsey would be a much worse place.

So speaking personally, I think a new Dairy is important.

Deputy Soulsby: Yes, and for me, people say, 'Oh, well, it's going to lose money, what's the point in doing it, we shouldn't be involved because it's costing us a lot of money every year.' But for me, we spend lots of money on education and on health, we are not expecting there to be a monetary return on that. So in the same way as we invest in education, we invest in health, it is investing in the environment. That is where I come from, anyway.

Deputy Le Tocq: Just again, I was certainly not in favour of the plans as they currently stand, partly because I think there has been very little creativity in looking at how the money is spent in terms of investment for the future and incentives for dairy farmers. I agree with all the points that have been made, but I think there has been, largely, from STSB, one answer to the problem and I do not think they have seriously looked at the whole industry generally and how we can create something that is more creative and entrepreneurial in the future. So from that point of view, I was not happy to support it as it is, apart from the fact the price keeps on going up.

Deputy Gabriel: Would it be fair to say that £35 million expenditure on a declining industry is not a good idea, as opposed to your words earlier, patch and mend?

Deputy Ferbrache: I think the point in relation to that is that following on from Deputy Le Tocq's point, I believe there should be a new Dairy, but I am not sure that £35 million is ... It could be honed; it could be cut back and we could still have an effective new dairy. So certainly a number of millions, Deputy Gabriel, have got to be spent on it, but whether it is 10, 15, 20 or whatever is a matter that still needs further scrutiny.

Deputy Soulsby: And there is a difference between a declining industry and a dead industry: if we do not invest, if the Dairy breaks down, then that will be an issue. We do see that there are potential savings to be made when there is a new dairy, and I think that will have to be factored into the final decision.

Deputy Le Tocq: I think it is a changing industry and it needs to be recognised that there needs to be different emphases and there are opportunities for that. We have a number of entrepreneur products that we could look into, but in terms of what is currently on the table, it would not do anything to stimulate that and incentivise it. I think that really does need to be looked into.

370 Outside of the Island, apart from anything else, in terms of branding, probably until *the Literary and Potato Peel Pie* thing came along, if you said you came from Guernsey, in many parts of the world they said, 'Oh, where the cows come from', and that is something that I think helps to put Guernsey on the map, not just in the traditional way perhaps that it is seen in some economic settings.

375 So I do think it is worthwhile investing, but we have got to do that wisely. At the moment I am not satisfied that this is wise investment.

Deputy Helyar: Could I just add I grew up in a dairy family. My grandfather was a dairy farmer. We have to accept that the guardians of our environment are largely speaking, in the Island our
380 farmers. So just shutting down a dairy or having an industry that is dying is not a financial answer to the problem of how do you look after the environment if those individuals are not there.

So we may be paying a stealth tax for our milk at the moment, which we effectively are, because quite a substantial amount of it is just poured down the drain, having been bought by the Dairy – but equally the States is not very good at running commercial businesses and so we need to take
385 both of those things into account, the costs and benefits of both of those sides of the argument.

The Chair: So would you be looking at privatising the Dairy as a possible way forward?

Deputy Helyar: Well, I am not sure that all of those options have been explored and I am by no means an expert in it. I have not sat on STSB or on the Dairy board, but I do think it needs another
390 look at.

The Chair: Okay.

Deputy Fairclough: We are jumping around a bit here, but obviously there is a lot in this Plan and on to paragraph 4.8, where it says there has been good progress in the Reciprocal Health Agreement negotiations with the UK, when will we see the outcome of these negotiations; and can you give a ballpark on any expected annual cost of such a system?
395

Deputy Ferbrache: The answer is very soon. I think Deputy Soulsby really is the expert on that.
400

Deputy Soulsby: Yes. The negotiation on this began in the previous term, when I was in a different seat, and it was actually the responsibility of P&R to run with it, which we have done this term. Things have been delayed because of COVID and as the UK have been ... Things have been
405 ebbing and flowing. But we are reviewing a draft policy letter tomorrow, and hopefully for debate in the States by the end of July debate.

Deputy Ferbrache: It has got to be an urgent matter, because the covering paper with the policy letter ... we are seeing Health & Social Care tomorrow. There is a timetable from the UK of mid-September, I think. (**Deputy Soulsby:** Yes.) So therefore the States will have to make a decision by July, otherwise we will miss the boat for years. It will not just be about putting it back for a few months, it will be years. This is an opportunity – and I regard it as an opportunity – that we will need to grasp very quickly.
410

Deputy Le Tocq: Yes.
415

Deputy Soulsby: And in terms of cost, I think that is around £300,000, (**Deputy Ferbrache:** Yes.) was the annual cost, that it would effectively cost us. It is lost revenue, as opposed to putting money out, because it would be a knock-for-knock arrangement which we are expecting. But the UK now
420 are, post-Brexit, wanting to find arrangements that they have to do with the EU and elsewhere. It has been a good time for us to take advantage of that.

Deputy Fairclough: Is that why there is such a narrow window right now? Because this is something that has taken some time, hasn't it?

425 **Deputy Ferbrache:** Yes, it has, and of course, again, at one time the UK government were just saying no.

Deputy Soulsby: They said no, yes.

430 **Deputy Le Tocq:** Definitely, that is right. Sorry to interrupt, (**Deputy Ferbrache:** Sorry, Jon.) but I was thinking I have been involved in talking to and trying to get lobbying in the UK, probably for 10 years on this issue, and it was just knocking at a closed door that was never going to open. It is one of the benefits of Brexit, from our point of view, that that door has opened, but we need to make sure that we can make use of it while it is still open, because it will be very short lived, I think.

435 **Deputy Fairclough:** Thank you.

Continuing on the theme of Health & Social Care, last week the President of Health & Social Care, Deputy Brouard, advised the Assembly of a significant number of people waiting for treatment and the very long waiting times for operations and investigations, too, at the Hospital. Has HSC
440 approached P&R for additional funds to tackle this problem?

Deputy Soulsby: Yes, they have. We have agreed for a process by which they can plan the reduction of the waiting lists. I know how difficult it is and certainly in the current climate, where the UK is in even a worse position, and so finding the resources to do it is going to be difficult. The
445 ability to move people off into the UK and have operations will be difficult, but we have agreed that it is something that needs to be done.

Deputy St Pier: How does that tie in with a £900,000 reduction in the waitlist initiative which is identified in the Funding and Investment Plan?

450 **Deputy Soulsby:** That is it.

Deputy St Pier: So it is a reduction in –

455 **Ms Haines:** Net reductions in ... In last year's plan, the overall amount expected to be required for the initiative was higher than it is now, so it is reduced.

Deputy St Pier: Sorry, but in response to the first question, it was P&R have been approached for additional funding, but now you are telling us it is a nine –

460 **Ms Haines:** No, so there was funding included in the Funding and Investment Plan last year and through the Budget, but P&R has been approached in order to release that funding to HSC. So that has been done recently. But overall they are expecting that that overall amount will reduce by about £900,000 from previous estimates.

465 **Deputy St Pier:** Right.

Deputy Gabriel: Okay, thank you.

470 The policy letter, as referenced earlier, has got a helpful section on key actions raised by the Committees in Annex 5. In the section on Employment & Social Security (ESS), the Committee highlights the under-capacity in the care home sector and outlines the knock-on effects on Health & Social Care in terms of using beds that could otherwise be used for those needing hospital procedures.

It is stated that neither Committee can resource this issue – HSC and ESS – so what are Policy & Resources doing to assist in resolving these matters?

Deputy Soulsby: There is an outstanding Resolution in terms of long-term care, and that is something that we are addressing now. But it is a difficult situation. Last term ESS put forward an option in terms of equity release, I think up to £35,000. That States bottled it. It was sold as something that it was not, which has put us in the pickle we are in now and needs to be addressed.

That is part of the issue, but it is also about moving the care home sector into a place where they will invest into care homes. That is the issue we have. Whether we can attract UK providers, I think that is something that has been investigated. It is one thing, it is whether we can support the existing care homes into investing. But it is something very much on the radar because it is constantly an issue. I think the worst thing, and I said this before, we ever did was closing the King Edward Hospital and expecting the market and the private sector to suck all that up – and they have not done. So we are paying the price for that now.

Deputy Ferbrache: Part of their problem as well is that they cannot get staff. There are certain of the private homes that are as full as they can be, but they could get extra people – not enough extra people, by the way – but could get some more but they just have not got the staff to be able to look after those people.

Deputy St Pier: Just, Deputy Soulsby, picking up that question of the last States bottling –

Deputy Soulsby: It was not the last States, it was the States before that.

Deputy St Pier: – bottling the decision, as you put it –

Deputy Soulsby: Oh, yes, for the release, yes.

Deputy St Pier: – on long-term care, but using your phrase, there does not appear to be in anywhere that I can find in this document, any appetite to revisit that decision, either from a Committee for Employment & Social Security or P&R, as far as I can tell. Is that right?

Deputy Soulsby: It is not one of the top 10 actions, but I think within there, with some of the actions relating to it, I think it is there somewhere. But it is not one of the top 10 priority actions.

The Chair: Do you think there would be value in doing that? Because I think you are right that the way it was reported on, if not sold otherwise, it was misconstrued as to what it was.

Deputy Soulsby: Yes, I would say personally. I mean this is ...

Deputy Ferbrache: We would have a different view.

The Chair: Oh right, okay.

Deputy Ferbrache: I do not think it was misconstrued at all, in my view. I appreciate and respect the views of others, I do not want to get into a debate on that particular issue today, but ...

The Chair: Okay, yes.

Deputy Soulsby: Well, I think, really, the problem was it came to the States far too late. (The Chair: Yes.) That was the issue. It was within, like, weeks of us breaking up from ...

Deputy Le Tocq: But the problem, if I could just add to it, is not just with, in terms of the hospital bed release, is in community care as well and in getting staffing there, because it is not just that we just need more nursing homes. Sure, we do, absolutely, but we need better and more effective community care and at the moment, as has been mentioned, it is very difficult to recruit nurses. Even if the pay was higher, it is not certain at all. It is not the answer to doing it. Everywhere has got difficulties in recruitment.

Deputy Soulsby: Yes, because part of the whole scenario, coming out of the SLAWS policy letter, was around increasing that community care so that there is less demand pushed into the care homes. But if we cannot get the staff to do that, those are places where we have difficulty.

The Chair: Okay, perhaps we can go to Deputy St Pier.

Deputy St Pier: Yes, just on the potential transfer of housing stock to the GHA, do we have an estimate of the value of that stock at this stage?

Deputy Soulsby: Yes.

Deputy Helyar: I have heard various numbers, but we have seen no papers.

Deputy St Pier: Right and given that you have identified that there will be a £12 million net negative impact on General Revenue, which is not reflected in the overall funding gap, long-term funding gap for the States, what is the driver for this and what would be the benefits that could be realised for the States?

Deputy Ferbrache: Let me say again for my view, it would be more efficiently run, with no disrespect to those that already run it, you know the GHA has proven itself to be first rate at the job that it does and there would be the £12 million net reduction, overall income about £20 million, so it is a £12 million reduction, but there would be a figure of X. Now whatever that X is, that figure would then be available to the States. Again, my own view is, because that would be a matter for the States and it has not been debated yet, is that that would be ringfenced for various housing schemes.

Deputy Soulsby: It has not been something we have actually ... have not had any paper on it yet at all.

Deputy St Pier: Okay.

If I may, I am going to delve into the Funding and Investment Plan, which will mainly probably be questions for Deputy Helyar and the Chief Resources Officer. Are we going to be changing the job title on the banknotes to reflect the new role? If we could turn to the table under 4.1 in appendix eight, we say at 4.4 –

Deputy Ferbrache: Which paragraph?

Deputy St Pier: Paragraph 4.1. You say in 4.4 that Income Tax has grown very significantly in 2021 but it is going to grow more slowly in 2022-25. But actually in 4.1 we basically have no growth at all in Income Tax. It is flat.

Ms Haines: I think the numbers that are in the table assume that secondary pensions is implemented next year and of course that has an impact on our Income Tax receipts, so that largely explains that flat.

Deputy St Pier: Thank you.

Continuing further down that table, unallocated savings of £1.1 million, what do they relate to?
580 It looks like a finger in the air.

Deputy Ferbrache: The question is you want to know what they are.

Ms Haines: The savings that there are, basically savings that have previously been approved by
585 the States to include within the framework, but they have not been finalised yet in terms of how they are going to be delivered.

Deputy St Pier: So that is different from Transformation savings?

590 **Ms Haines:** Yes.

Deputy St Pier: Capital income really is insignificant, so that would imply that there is no expectation of any sale of any States' properties and given what we have heard before about the ambition to release States' properties from States' use, that surprises me. So could you just talk us
595 through what the expectations are around that capital income and why it is so low?

Ms Haines: I think what we have tried to bake into the numbers is those properties, which we know are in the pipeline and are likely to be sold. Obviously, we have more certainty for 2022 but little for the future years. We have not baked in yet, any buildings which are still occupied, and which
600 may be sold in the future. So there is some upside in there, potentially.

Deputy St Pier: Politically, how satisfied are you with the speed of progress in terms of the realisation of properties? Because that is almost, dare I say it, not worth bothering with. It is so insignificant in the scale of the States' finances, that would suggest that progress is glacial. Would
605 you agree with that?

Deputy Soulsby: Well it is around the preparation and the property target operating model, the work being done on that, which is now started, and we are getting momentum on that. Everything needed quite a bit of a restructure at the beginning of term, but I think it is moving quite quickly
610 now and I think that will result in the release of properties that can then be either sold or repurposed in some way. That is why it is very little at the moment, I believe. I mean, Deputy Mahoney could say more.

Deputy Ferbrache: It is not going to be big bucks anyway. When you look at the properties that
615 have been sold, they have been sold for the best commercial value at the time. When you put aside the social housing, which is, you know, a big figure, whatever that figure is, the rest of it is a few million here and a few hundred thousand there. All very important but it is not going to suddenly turn that figure into £20 million, unless I am mistaken, Treasurer. Is that right?

620 **Ms Haines:** That is right.

Deputy St Pier: Okay.

Sorry, carrying on down the table, under the GWP revenue impact, we have got a line that reads 'recovery (ongoing)'. The total for the period 2022-25, is £19.3 million, which is up from £14 million
625 last year, so that is £5.3 million growth. Could you just again talk us through that increase in the recovery expenditure?

Deputy Soulsby: Whatever Bethan's new title is, I think that links back to the tables further along, does it not, so you have got ongoing total and one-off total. The pages are not numbered but it is at the end of quite a lot of long tables at the end of that appendix.

Deputy St Pier: I am glad you have drawn attention to annex three because I was going to ask a question about that because obviously there is an awful lot of blanks in annex three, which suggests that quite a lot of the recovery actions have not been costed or any estimate of the resources made. Is that correct?

Deputy Soulsby: Well in some areas, of course you are not going to have full costings and know what they are. The focus here is on what resources do we need to do that work. In some areas it might not need resources. Other areas it might be because their actions are for later in the term and we will not be costing them yet. I do not know whether, Steve, you have got anything more you would like to add on that.

Mr Wakelin: Lots of work is going on with officers to take to Committees, as well, around what the funding will look like and in part of it some of the steps that will be taken are depending on what the States agrees in due course, as well.

Deputy St Pier: So you would expect, based on those responses then, that this Plan, this time next year, that recovery line will be up again as you have identified further recovery?

Deputy Soulsby: No, not necessarily, because some things will fall away, or we decide we are not going to do them at all or we have already done them. So it is going to be moving. It is transitional and I think we have to remember, we started from ground zero, as it were, and working our way up, trying to have a more detailed plan as we can. I think by the end of the term we will have something that will be a really good resource for the next States, to run with it and have the background with which to make decisions quite early in that term in a way that has not been so easy in this term, although we have been working at quite some speed.

Deputy St Pier: Okay.

I am going to keep moving, I am just conscious of time. There are quite a few questions to get through. Transformation savings, the next line, has obviously fallen significantly and I mean, I think, probably the overall thing of note in relation to this Plan is the expectations of savings have pretty well evaporated across the board but, certainly, in relation to Transformation. We have thrown an awful lot of money at Transformation but are expecting to get very little back from it. Again, I would welcome, particularly from the Treasurer...

Deputy Ferbrache: Can I just say in relation to that I think that it was ill-thought out when it was started off previously. Because I was one of the people, as President of the STSB, who supported it, on the basis that I thought those putting it forward had more detail and more information than they did. Once the surface was scratched, there was very little substance and it has turned out to be, to me, a disappointment.

That is not to say that people have not done their best. It has cost more than it should to bring the benefit that it has. You are right, in 2023 for there to be £900,000; 2024, £1.8 million; 2025, £2.6 million, those are, to me, disappointing figures. Better than nothing but it is a disappointment.

Deputy Soulsby: It will lead up to, we are looking at about £4.2 million recurring savings, but I think the whole thing was started from the wrong direction. This big picture thing, getting rid of 200 posts and complete transformation and everything like that. There should have been a focus on HR transformation, how those processes work, and finance transformation.

The actual bare bones and the nitty gritty of how the States does things, getting that, sort of, first, before going to the big transformational changes. I think, just looking at it and where we are now, I think back last term, I have to say, I do think it was the wrong way around. I know I was critical of the concept at the beginning, but I do think that is how it has played out.

Saying that, what has been done is the right thing to do in terms of the service to the community, how things are done. Because it will save money in the long run by having more efficient and effective processes, which is always going to be important. We have got, throughout the States, different ways of doing things, not very digitalised and it is not designed for the public, for those people who want to use our services. It is much more designed for the people running the services than for the people who need them.

So it was absolutely the right thing to do but I just think the Eric Morecambe way of doing things, not necessarily in the right order.

Deputy St Pier: But are we capturing the benefits of these Transformation programmes because that is not spelt out in here? (**Deputy Soulsby:** Yes.) Because that is not spelt out in here. In essence, if we are not doing it for the savings, we must be doing it for another reason.

Deputy Soulsby: Well that is not true. We are doing things for savings as well. I just think the whole, this, was very much vaunted about 200 posts going and how easy that would be, was definitely the wrong approach to take. It is always about making things work better. For me, if you get the model right, the finances will follow, and that is what we are doing at the moment and I think there will be more savings, it is over £1 million we have saved already, £1.2 million, £1.1 million I think (*interjection*) £1.5 million, even better.

So they are happening, and we will see much more this year. It does not look like it from there but actually I think there will be more realised savings over the next year.

Deputy Ferbrache: But also, in relation to a point, it is not just about saving the money, although that is important. It is about improving the service to the public and that costs money in itself. So that is Transformation. You are transforming how you did things. So it is a two-fold purpose.

Deputy Gabriel: I am glad you said that, Deputy Ferbrache, about delivering service to the public because, in the Transformation expenditure forecast in annex two, you have got Transformation, two large items in there, one of them being £21.6 million for the MyGov programme. Could you explain in more detail please what that programme will entail and how the benefits will be realised, and when, for an investment of that size?

Deputy Soulsby: Well it started, I mean that is a whole programme that has been going on since last term, since 2015. So that is a programme, full cost in there. So £60 million was already approved by the previous States. That is what that is about. The MyGov is about changing the customer hub so we share services across the States, much more joined up. People, when they contact the hub, only have to contact one point, and the start of that is being phased in, that will start in two weeks' time and there will be much more public communications going out to explain what that means, what people need to do.

We have had a lot of work behind the scenes on that. Last time we had our briefing, we were in the middle of the job evaluation process and there was little more we could say. That has been done. Jobs have been placed and Edward T. Wheadon House is going to be used for the first move of the people from the driving licensing area, from Bulwer Avenue.

So that is happening. The other part of MyGov is the property transformation and we have spoken about that and that is in the process of happening right this moment, where we bring together property service support across the States into one service hub and there will be one contact for people for that as well. So it is about making services more effective, more efficient and futureproofing in a way if we do not do that we will need more and more people to support different

areas of the States. So it will, in terms of costs, we will not have to have, it is a benefit from that, as well.

735 **Deputy Ferbrache:** I think also, in relation to that, you are exactly right to highlight £21.5 million. That was not the figure that was originally quoted. The figure was less than that, I think £16.7 million. It has grown like topsy and, again, without any undue criticism of anybody, it was not as well-thought out initially as it should have been.

740 **Deputy Soulsby:** The £16 million is for where we are at the moment, but we need more resource for the next bit, which is talking about the HR Transformation, finance Transformation and enabling services.

745 **Deputy Fairclough:** It sounds as if you are adapting or are being tempted to adapt a number of things you have inherited as a Committee from the previous term, particularly from what you are saying, Deputy Ferbrache. Have you ever been tempted to press the reset button completely and say, 'We need to go about this a different way ...'?

750 **Deputy Ferbrache:** I think we have done that in certain things. With the MyGov project, it had already got such impetus, of course we are looking at it. You do not just look ahead; you do not just walk on the straight path to Rome if you realise that you have got to diverge a bit. What we have done in relation to that is carry on with it but be very conscious of where we are trying to go. But it is a bit like trying to stop a train going 100mph. It has taken some attenuation. I think Heidi was going to say something.

755 **Deputy Soulsby:** Yes, I mean last summer, when we decided whether we would press the button for the extra 7.8 from the £60 million that had been approved by the States in the previous term and that is where we put things on hold for quite a bit to ascertain what the actual position was because we were not getting a single version of the truth. Now we are more confident. The interim Chief Executive has been doing a lot of work to make sure we have more confidence in that process, and we have now.

760 We have brought in a director of operations from Employment & Social Security, and Education I think has got the two roles. He has got a lot of expertise in that Transformation field, and he has given us much more assurance as well, so it is more joined up. I think when we inherited it was very much held very tightly amongst a small number of officers but now it is about making sure there is ownership across the board, making sure the senior leadership team, that they are happy with it, and that people know what is going on. I do not know if Steve, Bethan, you want to add any more to that?

770 **Deputy St Pier:** Can I pursue some questions on annex two, whilst we have got it in front of you, on the back of Deputy Gabriel's question? Two observations. You have got three tables on that page, (a), (b) and (c). It is interesting table (a) and (c) you have chosen to present the best case, rather than the middle case –

775 **Deputy Soulsby:** When you say annex two, you are not talking about appendix two?

Deputy St Pier: No, I am talking about annex two to the –

Deputy Soulsby: Of the Funding and Investment Plan?

780 **Deputy St Pier:** Yes. So, I just make that as an observation. Everywhere else you use the middle case but you have chosen to use the best case for those two tables.

785 Could you just speak, and again probably this is one for the chief resources officer and the Treasury lead, the revenue service, the first table, entitled RICE, revenue impact of capital expenditure, all of the items in there differ from the table that was presented last year. Could you just explain how that works in practice because all the things that were there last year would obviously have an ongoing revenue impact, so why do they not appear this time around?

790 **Ms Haines:** So if those have been dealt with, if they have been implemented, then the ongoing implication would be picked up as part of the baseline. So it would no longer be that these are new things that are still to come through. I would just like to highlight the revenue service one, because I am pre-empting a question there.

795 That is actually, as you will be aware, the expectation is that following the implementation of the revenue service programme, our ongoing cost in relation to our systems will be less than it was previously. This is dual running cost for a period of time while we are building our new systems and the old systems have not yet been switched off. That is what that is. If you showed 2026, it would have fallen away.

Deputy St Pier: Okay.

800 The next question I have is, again picking up on Deputy Gabriel's, table in the middle, (b), Transformation expenditure, this of course is on top of revenue spending, isn't it? So Transforming Education has appeared this year and it was not there last year, so there is a total of £7.2 million over the period. There is an awful lot of extra funding going into education, both on the General Revenue side, I do not know if somebody has got the numbers to hand, and also on this capital side, on the Transforming side. Just talk to us a little bit about that.

805 **Ms Haines:** Can I first pick up on a technical point to start with? So previously, as you will know, the States has not particularly accounted for capital assets in the way that one would normally do and so, sometimes, Transformation expenditure has been sort of meshed in with capital expenditure. We have separated that out, so that accounts for that line there, Transforming Education, which was previously included as part of the capital programme but, being as it is transformational in nature we would not be able to include it as an asset at the end of the work. We have now shown it more clearly as Transformation expenditure.

815 **Deputy St Pier:** So is that £7.2 million reduction on capital side (**Ms Haines:** Yes.) or actually has that number gone up overall?

Ms Haines: Well, capital has moved, obviously, as well, so other elements of capital have moved, but that £7.2 million was previously in capital and has now been moved in here.

820 **Deputy St Pier:** Right, because when you then turn back to the table on 4.8, there is another £9.4 million, which is £5 million extra for promoting education, skills and learning. By the way, just so you know, this table does not actually tie in with annex three. The differences are in relation to education and invest in the finance sector, your totals do not cross refer. Annex three to the Plan, you have got £2.5 million for investing in finance sector and £8.8 million for education. But nonetheless let us work with what you have got on this table, which is an additional £9.4 million, £5 million up on last year.

825 There is a note here, at the bottom of that page, which accounts for about £2.8 million of that. If you read that note it talks about recovery actions and so on but there is quite a bit missing. I am just trying to kind of get my head around the gap between the £2.8 million that you have explained to us in note five and the £5 million change between 21 and 22.

Ms Haines: I am afraid I do not have an answer to that off the top of my head, I would need to go and look at the numbers in more detail.

Deputy St Pier: Okay.

835 It is a big number. (*Ms Haines:* Yes.) And of all the numbers that have moved in the entire Plan the biggest ones relate to education which is why I put to you again the thing that has significantly changed in the last 12 months is a lot more money is being pumped into education. Some of it purports to be related to recovery from COVID but the reset of it really is about funding the existing system, I think an additional 35 posts.

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Deputy Ferbrache: That is right, 35 posts.

Deputy Soulsby: I just wonder whether it is the £1.3 million and then the £1 million recurring, the £2 million. That is what I think it is. We can go back and get that.

845

The Chair: The main Committee can come back to the Scrutiny Management with those details. That is fine, thank you very much.

Okay, are you done on that, then, Deputy St Pier?

850

Deputy St Pier: Two final questions on the Finance Plan and then I think I am done.

Budget measures. You have abandoned any Budget measures for 2022 and not really expecting much in the following two years. Again that is clearly a political decision so perhaps that might be one for Deputy Helyar to explain.

855

Deputy Helyar: No, there will be some provisions in the Budget, but they do not form part of the Government Work Plan, they sit outside of that. We have taken various comments from Members, which will be built in when we get to that point.

860

Deputy St Pier: Sorry, how can it not have an impact on the Plan because it is going to either raise or reduce revenue?

Deputy Helyar: Yes.

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Deputy St Pier: But the net effect is nil?

Deputy Helyar: Yes, the net effect is nil. That is what is being planned for at the moment. When we get to the Budget it might look slightly different.

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Deputy St Pier: Okay.

The Chair: So it could be an improvement if we actually introduce new measures in the Budget so that will show in next year's update of the Plan?

Deputy Helyar: That is right.

875

The Chair: Thank you.

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Ms Haines: Could I just provide a slight clarification as well? For 2022, those Budget measures have been approved by the States and therefore are included in our baseline. And for 2023 and ongoing years, that indicates the amount that has been approved by the States, so that is the minimum amount that needs to be delivered through Budget measures over this period, as approved in last year's Government Work Plan.

885 **Deputy St Pier:** And then my final question net investment return for 2022, you have got £46.1 million, so what rate of return are you assuming for 2022 and are you still comfortable with that, given events – and I know this Plan was only put to bed on 12th May?

890 **Deputy Helyar:** I think you can only go with best estimates, reasonable estimates based on the advice, professional advice that we get. When the Plan was created, when this was drafted, which is now, as you say, quite some time ago, that was a reasonable estimate. I would have to say now it is quite an uphill struggle.

Deputy St Pier: What does that translate into?

895 **Ms Haines:** The result is 2.5% real in line with the investment objective and that has been forecast all the way through. But yes, in light of recent conditions that might –

Deputy St Pier: So that must be one of your significant risks on the out turn?

900 **Deputy Ferbrache:** Last year was a good year; this year may well not be, for reasons that we all know.

905 **Deputy Helyar:** Yes. We were particularly lucky because we had some windfalls as a result of swings in the market and so on and we are going into an environment that many people that work in finance have never seen before. I am lucky to have lived through a high interest rate environment in the past, many people have not. So that is one of the reasons for being less confident about that approach. If it needs to be revised before the Budget, then it will be.

Deputy St Pier: Okay, thank you.

910 **The Chair:** Right, just before we take a short break, a couple of quick questions. At the last hearing, Deputy Mahoney had just announced plans to see 90 four and five-bedroom homes created on green fields and agricultural lands surrounding the Castel hospital. Can you just update the panel, please, as to what further work, if any, has been undertaken on that proposal.

915 **Deputy Ferbrache:** I think at the moment, none, particularly. I do not think we have advanced it at all in the four months or so that has passed.

The Chair: Okay, thank you. That was a quick answer.

920 Then, finally for this part, the recent decisions, taken in the States, in respect of the Development Agency, require the Assembly to decide on how the harbours will be configured and then, following that, the DPA will produce the local planning briefs necessary for guiding development on the east coast, in particular the Harbour Action Areas. This process is expected to take two years. What will the Development Agency be doing during those two years and how will it meet its objective of being self-funding in that time?

925 **Deputy Ferbrache:** I think in relation to the self-funding, we will be expecting the executive and the directors, call them whatever you will, of the Agency, to assist us in regard to ideas for self-funding. As to the Harbour, the intention is to bring a policy letter to the States before the end of this year. It might be October/November but before the end of this year because one thing the Development Agency is going to have to grapple with is what is the States' appetite, for example should there be a third harbour, should we concentrate our efforts on St Peter Port or St Sampson's or whatever? That is something that we believe in our earlier discussions is something that the States should say what it wants.

935 **The Chair:** Okay.

I certainly understand that, so, if that happens in six months, let us say we have a decision on the States' direction for how the Harbour should be developed, nevertheless, until the local planning briefs come out is there not a limited amount that the Development Agency can do?

940 **Deputy Ferbrache:** Of course there is because the local planning briefs are an important part of the exercise. There is some work they can do but this is a long-term project for the Development Agency. There are some things that they might be able to do in early course, but I think it is the medium course before we see any – again expressing my personal view – we have not even appointed anybody to run it yet. That bit is being done now, as we speak, we are going through that process, and it will be a medium term before we see any results.

The Chair: So, is it premature to be setting up a Development Agency when we have got two years of work to do before we –?

950 **Deputy Ferbrache:** I do not think it is premature. You have got to start somewhere. I do not think it is premature at all.

The Chair: Okay.

But you feel that they could nevertheless be self-funding within two years even with the –?

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Deputy Ferbrache: Well, they will tell us they cannot, and we will have to say to the States, you know the expectation that it would be self-funding after two years had not been met and this is the situation, whatever that may be at the time.

960 **The Chair:** Right, thank you very much.

We will take a short break. If we can be back by ten past three on the clock up there.

Thank you.

*The Committee adjourned at 3.03 p.m.
and resumed at 3.13 p.m.*

The Chair: Okay, welcome back everybody,

965 Right, I shall hand over to Deputy Gabriel, who has the next questions.

Deputy Gabriel: Referring back to priority two of the Work Plan, managing the effects of Brexit and meeting international standards is clearly identified in the update report an area requires substantial financial resources. We have got over £1 million *per annum* of revenue spent, in annex two again, and substantial input from a significant number of senior staff and relevant politicians.

970 In June 2018, a Channel Islands political oversight board was established with a pledge to work together to share expertise and deliver high quality services to Islanders. In March 2019, a meeting was held to discuss working together on Brexit, amongst other things. So, my question is to what extent are we working together with Jersey on matters other than Brexit.

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Deputy Le Tocq: Well, I was not expecting you to end up at that with that question! I was all ready to ...

980 Other than Brexit, well, in my experience of working with Jersey, I think there have been many ups and downs. I think, actually, in the area of external relations, external affairs, we work very closely together, irrespective of whether there is an agreement to do so or not. Our teams work well together, our officials work well together. We have to. We are sort of thrown into that environment. Jersey's teams, I have discovered recently, there were over 30 in external relations, whereas we have

increased. When I started 10 years ago, we had three and we have got seven or eight now, but it is nothing like that. But we have to work together.

985 Outside of that, though, it has been largely disappointing, and I think that is for all sorts of reasons. Some of them are political. Our terms are not aligned so when we would need political engagement and political agreement to be able to work together outside of the obvious things like that and it has been a great disappointment to me, as a Channel Islander and a federalist in many ways, to see that we cannot do that because it would certainly be areas where efficiencies, greater efficiencies would be available.

990 I was one of those that suggested six or seven years ago that we should seek to have a Channel Island Health Authority, joint health authority, and we had a shadow board put up, there was a lot of input put in from our end, Deputy Soulsby particularly, and then Jersey had initially a lot of keenness but then they got waylaid with their hospital plans and there was not the motivation there to do more together.

995 That is a huge shame, because it would benefit, I think, Channel Islanders, of all Islands, if we had joint working there. But to be honest, in response to your question, not a lot, and we would have to, I think, create first of all terms that at least were aligned, political terms, to be able to work effectively, and obviously, after Jersey's election at the end of this month, next month, well in a few weeks' time in fact, we will no doubt meet and do what we have always done and see how the land lies and where we can work together. But then, in due course, we will have ours. We have got a very limited window to work together and there might be a complete change in respect of where they would like to work or what they would like to do.

1000 So from my point of view it is quite disappointing.

1005 **Deputy St Pier:** The reality is, despite having three years left of this term, which is a significant period, in which joint working could be developed, the reality is that this Plan does not envisage any joint working?

1010 **Deputy Soulsby:** I mean there is nothing there that says we are not. It does not say we will not talk to Jersey. I will absolutely say, we put so much effort in the last term to try and find synergies with Jersey. The then Chief Officer spent an awful lot of time talking to and going to Jersey, probably more him going to Jersey than Jersey coming to Guernsey.

1015 At the time Jersey was in quite a bit of turmoil with their new Chief Executive, who was storming, as it were, and really completely changing the landscape. There were lots of people in kind of interim roles, you never knew who was going to be there at any one time. They have been – and I absolutely believe there are savings to be made in the health front, in the environment sphere as well. – there are savings to be made but it takes two to tango and Jersey have been so focused on their hospital, I do not know if they have actually agreed where they are going to build it yet.

1020 They might have done but they still have not gone through the whole process of agreeing, a spade in the ground, that has taken years and years. That has been their focus. They have, I know, the discussions about the stuff that they could run out of Jersey, which Guernsey could benefit from but that is their view. From a health point of view we have got strong relationships with Southampton in terms of oncology and different tertiary care that we will have to think of what is in the best interests of the Guernsey public before we move that.

1025 We did look at when our previous director of public health retired, we did do quite a bit of work to see could we have a Channel Islands director of public health and quite a lot of discussions went on, on that, but then we felt that there would not be any savings from the proposals that were put forward and so we decided not to do that.

1030 I mean, as things have panned out, thank goodness we did not do that and we have got an excellent Director of Public Health. We have to think, you know, we will not do it for the sake of doing it, it is making sure that it does make sense. I would be – and I have said publicly – willing to meet the new Government of Jersey, as soon as they are elected, and say, 'Come on now, let us try

and do it.' As I say, I have tried before, it is not from not wanting to do it, it is making sure we have got both sides aligned and saying we need to do it.

Because I think we do. We are forking out money doing the same things in both Islands when we can make those savings –

Deputy St Pier: Sorry to interrupt, but just to be clear, what you are saying in practice is that joint working may happen, but it is not a priority for it to happen because it has not been prioritised through this process? If the new government come in and want to work together then it would need to be reprioritised through this process?

Deputy Soulsby: Yes, but not necessarily.

I think we need to look at it in a different way.

Deputy St Pier: You are nodding in agreement, and you are disagreeing.

Deputy Ferbrache: It depends on what it is. I do not think there is any disagreement in relation to that because the intent would be I will see and Deputy Soulsby will see and Deputy Le Tocq will see, as representatives of the British-Irish Council, on the 7th/8th we will see the new Chief Minister, whoever he or she is, and we will intend to speak to him or her and say, as you said, we have got three years left, they will have four years left, sit down, what can we do. Now whether it falls strictly within this, whether we need to reprioritise things, it does not seem to me that necessarily we will, because it depends on what the issues are. It really will depend.

Deputy Soulsby: And that is where I am going. It depends on where we are. It is not necessarily saying, 'Right, now, we need to work with Jersey.' It is about saying as we do things and as we change how we are looking at things, think, is there an opportunity to work with Jersey here? For me it is more mindset than saying, right, we need to talk to Jersey because I do not think it ever works doing that, putting a load of politicians together and having a nice chat over sandwiches and saying, 'Yes, we all want to work together.' It is about instilling this within the normal BAU of government, saying, 'We are doing this work; is there a better way of doing it?'

That is up to different Committees to think, 'Well, we need to make savings, we need to be more effective going along, can we do it better?' I think that is where I ...

Deputy Le Tocq: Yes, I do not disagree with that.

I do not think there is disagreement here. I think, let us put it the other way around. If we did have a priority in here to work more with Jersey, you would be criticising us for not being able to fulfil that effectively because it takes two to tango. So I think we do need to recognise the limitations of what we can prioritise when it comes to that.

However, having said that, there is some of working with Jersey that, for us, should be just business as usual and we should seek to do that wherever possible where it makes sense and where it is within our control to do so.

The Chair: Do you think the desire from Jersey is not as strong because they are much larger and therefore, they already have economies of scale that we do not have?

Deputy Le Tocq: I think it is two-fold. I think they not only have economies of scale that we do not already have, they have problems we do not have. I think, therefore, there is always a fear from our point of view that we will be subsumed by Jersey's issues, and I think that is a relatively logical fear but from their end, I think, you know, we have got problems they do not have. We have Bailiwick issues regarding other Islands that they do not have to deal with.

But if we could overcome that in some way, I think it would require probably quite a high-level change of structure in both Island governments and if we are going to have a sustainable and long-

term agreement on something, and that is not something that at the moment is appropriate to resource.

1090 **Deputy Ferbrache:** We are not going to give up on it. There maybe – I do not know what the maybe would be – there may be one or two key issues that we will be able to develop and work with Jersey on.

1095 **Deputy Le Tocq:** And we can do that at the moment, where there is a good relationship. You know, I had a good relationship for a number of years with Senator Gorst and that can work but it is obviously depending on some of those things and at the moment that is where we are.

1100 **Deputy Gabriel:** Perhaps a question you might have been expecting in relation to Brexit: to what extent do you think that the financial and staffing resources expended on dealing with responding to Brexit has hampered other Government workstreams and what economic impact to the Island it has had?

Deputy Le Tocq: That is a very good question.

1105 I think it is probably too much for me to surmise exactly how that has affected. I do see, particularly now, more opportunities than negatives, particularly in the areas of new trade deals and that is going very well. We are managing to keep pace with the UK, which is moving very fast on a number of new free trade agreements and there will be significant opportunities for Guernsey businesses there.

1110 However, there is no doubt that in the process to get where we are and particularly during the heightened period of negotiations, staff had to focus on that in the midst of COVID and everything else as well. So it is a bit difficult to tell quite what the issue was. All we know is the Brexit work became useful, ironically, to some degree in the COVID process because we scoped some of the issues like supply chains, which otherwise we would have had to start from scratch. So that was fortuitous. At the moment, I think we are in a steady but busy period of working on what the future opportunities might be for us, which is positive, and I would like it to remain so.

1115 **Deputy St Pier:** One quickfire question on Brexit before we move on.

Appendix one talks about increased staffing to deliver additional requirements, post-Brexit, in connection with borders. Can you quantify that? How many additional staff have been acquired?

1120 **Deputy Le Tocq:** Well, it is difficult to quantify at the moment. It is mainly these are Home Affairs staff and environmental issues particularly related to the potential new trade agreements we might enter into, post-Brexit, that would require border issues. We have obviously got some existing ones with the new agreement with the EU but there may be more that is required on that, which is why there is a budget for that, and I cannot particularly give you a number off-hand. That is inevitable.

1125 Where we will need to be careful is where, in our economy of scale, having those sorts of controls, particularly, would have a negative effect, really, and would not be worth our while investing in and that is sometimes which is actually difficult to scope when we are trying to look at potential new opportunities.

1130 **Deputy Ferbrache:** Before we move on, Deputy Helyar, before the mic was back on, mentioned a point about the Treasurer could deal with –

The Chair: We are going to cover it at the end.

1135 **Deputy Ferbrache:** Oh okay, right.

Deputy Fairclough: Deputy Ferbrache, during the hearing with your Committee in January, earlier this year, you stated the following:

We will come before the States sooner rather than later with a joined-up air and sea policy. It should come before the States during the course of this year and then the States can debate and decide what they are going to do.

1140 When can we expect to see this policy letter?

Deputy Ferbrache: It is good of you to remind me of that.

I do not think I can speculate on a date just yet because things have taken a bit longer. I do not know if you can add anything, Steve, before I carry on?

1145

Mr Wakelin: I think that is right. There is an Air Policy Framework that was appended to the Aurigny capitalisation policy letter that sets out the different roles of the constituent parts of the States around that. There is an extant Sea Links Policy, I think that goes back to 2018, an Economic Development one.

1150

The idea was that the operator agreement will reflect that and the change subsequently, given Brexit and COVID and other matters and changes in the economy and tourism and various other factors. So the plan had always been that the sea links framework would be updated alongside the operator agreement work, it would reflect the decisions of the States around the Future Harbour infrastructure as well and then pull all of that together.

1155

Some of those constituent pieces have probably been pulled together at a slightly different pace, a bit like Deputy Soulsby's point earlier. I think it is probably safer for the States and the community to see a joined-up Air and Sea Links Policy Framework when a lot of those constituent pieces are in place.

1160

Deputy Fairclough: Okay, so that is going to happen, is it, because I was a little bit confused reading the document because in the actions no longer required it said, 'Determine air and sea links policy completed'. I was just wondering where these policies live because every time we ask about them there seems to be references, and you have alluded to some of them, about ramp access, route developments, of course the runway extension, potentially tied in with this as well.

1165

So, just to be very clear, air and sea policy will come back before the States as one policy letter, will it?

Mr Wakelin: Clearly there is work around that for the Committee for Economic Development and some of the other Committees of the States as well. The idea would be that it is all pulled back together but the 2018 investment and connectivity objectives, I think they are extant, and they are quite high level and I do not think they would have changed that much around what the Island and the community wants from its air and sea links.

1170

Deputy Ferbrache: Just finishing off the answer to your question, yes, it should do. But what Mr Wakelin is saying, we have got to wait for all of the pieces of the jigsaw. Not too long. We have got to wait for those pieces of the jigsaw to be in so that the States can then make a considered decision on air and sea links because obviously sea links will affect air links and *vice versa* so it would make sense for them to come before the States together.

1175

1180 **Deputy St Pier:** Should do or will do?

Deputy Ferbrache: Well, I think they will do. You know, *will* do. Should do and will do are not necessarily inconsistent, Deputy St Pier, because you should do something and then it means you will do it. So it will come before the States.

1185

Deputy St Pier: Should do also means you might not.

Deputy Ferbrache: Sorry?

Deputy St Pier: Should do also means you might not.

1190

Deputy Ferbrache: But it will come before the States and then it will be a matter for the States. As to precisely when, you know, things sometimes take a bit longer in the States than we anticipate but it certainly should come relatively soon. Because hopefully we will have the Condor situation sorted out, from the questions that were asked earlier, relatively soon.

1195

The runway extension, the States have got to decide whether there is going to be a runway extension or not because that will affect various issues. That should come before the States, that is Economic Development really, to bring it before the States so the States can debate it.

Deputy Soulsby: It is later this year, isn't it?

1200

Deputy Ferbrache: Later this year.

Deputy Gabriel: Perhaps even Deputy Helyar might be able to answer this. If the States approve a runway extension, and I know that is a big if, we have seen perhaps, or numbers are alluding to around about £80 million, how would that be funded and where would it sit in the current priorities?

1205

Deputy Helyar: Which runway?

Deputy Gabriel: Guernsey runway extension; if it is approved.

1210

Deputy Helyar: What do you mean, how would it be funded? It would be funded out of our capital plan in the same way as this is –

Deputy Gabriel: And what priority, where would that sit in the current priorities?

1215

Deputy Helyar: It is up to the States to decide that.

Deputy Soulsby: It is not there at the moment. States' Members need to appreciate, amongst all the things that are funded in delivery mode, a runway extension is not it, either in Guernsey or Alderney.

1220

The Chair: I mean, please, it is obviously a significant capital cost, if it were to be approved by the States. I think the question is, can you see any way that could go into this term's GWP, or do you envisage it to be a capital expenditure in next term?

1225

Deputy Soulsby: First of all, we have got to get through the debate to see whether the States agree in principle that we should be doing it and then it goes into, it could be pipeline, and then determine when it is delivered. So it is very unlikely that anything will get to, it will not be a spade in the ground, whatever we call it, tarmac on the runway, before this term.

1230

The Chair: No, I certainly would not have thought in terms of building it. But if it was to be prioritised for spending this term, would it push other things out of the Plan?

Deputy Soulsby: It is up to the States. The States determines whether it wants to borrow more or wants to shove something aside. The same goes for the Dairy really because we have not got that extra money for the Dairy so, if we approve that, Members then need to think, well, is there something else we should give or do we want to borrow more?

1235

1240 **Deputy Ferbrache:** Let us just say we take the figures put forward, the highest figures. I mentioned £35 million for the Dairy, thirty-four-point-something, and the £80 million, I have no idea if that is an accurate figure but let us just say that it is, £115 million. Well you have seen what is proposed over the lifetime of this Assembly, if the States, it would be a decision for the States, decided that those two were going to come to the top of the priority list, other things would have to be shunted aside because we are suddenly not going to get £115 million, all the resources to go and do these things in early course –

Deputy St Pier: But that takes a coach and horses through this Plan.

1250 **Deputy Ferbrache:** Of course it would.

Deputy St Pier: Okay.

Deputy Soulsby: No, no. I disagree.

1255 **Deputy Ferbrache:** It would be a significant variation.

1260 **Deputy Soulsby:** It is a variation, but the Government Work Plan is not a thing that has been set in stone from the beginning. It has always been, it is an evolving document and moves with what we know is happening at the time. We did not know that Russia – perhaps some people had an idea that they might – that Russia would invade Ukraine at the beginning of the year, so that has to be factored into any new Plan.

1265 **Deputy St Pier:** The approval of a runway, in principle, by the States, would be the prioritisation without resources and resources would have to follow? (**Deputy Soulsby:** Absolutely.) Which is counter to the whole thrust (**Deputy Ferbrache:** Yes.) of this process.

Deputy Ferbrache: But no doubt that will be part of the debate in relation to the runway, which we have not had yet.

1270 **Deputy Soulsby:** Because things change and people say now, all of a sudden, some building might collapse, we need to rebuild it. Well, yes, that will change in the Plan. So we have had the runway extension, has been a work that has been scoped, work that has been in the Work Plan since day one. It is whether now, it goes further than that, and goes into the pipeline as a capital project or not and then we have to then rebalance the Plan.

1275 But it is up to the States' Members to decide how they want the Plan to go, and it will be either amended and it will evolve generally, and people will just keep to exactly what is in here, or they say no, this will make a difference in terms of our economy or tourism, or whatever they think. So we will do it and that will mean the Plan changes.

1280 I think the thing with the Plan, it is a tool to determine what we can do when and making, hopefully, Members understand where things are. It is to give them information and not working in a vacuum and I think so much in the past, Members have worked in a vacuum and said, 'I like this' and 'I like that' but do not see the big picture. This enables them to see the big picture, as you have shown today and Deputy St Pier going through all the different finances and linking it to something else. We never had that before and that is absolutely what we need.

1285 **Deputy Le Tocq:** It is the best we have got but I agree that if something like the runway extension was voted on by the States, it would significantly have to change the priorities of the Plan. If for some reason, we were not able to ship things in by sea and there was some major issue there we probably would choose to do that and it would make sense. But that is a political decision.

1290 Where I think we have got to be careful is it has taken a lot of effort to get to this stage with the Government Work Plan.

1295 **Deputy St Pier:** So when in the policy letter you say the Policy & Resources Committee considers transport connectivity and infrastructure policy 'has been developed' there seems to be quite a big bit that is missing, which is namely the decision in relation to whether the States wish to proceed with the runway or not.

1300 **Deputy Ferbrache:** Well, no as I say, it has not been developed, it has not been finalised in the sense, like Deputy Soulsby says, things can change. The States out of the clear blue sky, no pun intended again, can decide that they are going to do something that is dramatic. This is a flexible document. It will not be the same next year as it is this year when we bring the proposals for revision in 12 months' time. The States will look at it.

1305 If by that time it is decided it is going to have a runway and if I can know where the £80 million comes from – things always used to be cheap in Gabriel's years ago but perhaps the prices have gone up now – but in relation to that, it is £80 million, the States will have to decide because things will have to be knocked out, unless all of a sudden we get lots of revenue that we are unlikely to see.

1310 **Deputy St Pier:** Deputy Helyar was itching to make a comment!

1315 **Deputy Helyar:** I know. I just think you asked an interesting question earlier, when you were referring to me nodding about prioritising things with Jersey and I think, philosophically, this is a plan for change, these are the extra things we are doing. There is a lot of phasing in them. I think everybody acknowledges that it is too ambitious.

1320 There is no way most of this is going to get finished so, to some extent, adding a capital project like a runway extension – and I am not saying I am for or against it necessarily – that can be managed by phasing other things, but everybody needs to accept that if you prioritise one thing it is whack-a-mole, as I think I said during the – (*Interjection*).

1325 Absolutely. And I think that is right and it should be part of the process for developing where we have got to here. But the reason I was nodding, I think, about the working with Jersey thing, because what is not in here is a lot of business-as-usual stuff and working together on those things is all the time trying to improve that should be a priority that we all have.

1330 I would like to see a sort of Concorde project, you know; Britain and France building a supersonic jet was a fantastic achievement at the time particularly because of the massive differences between those two countries and if we could find a Concorde project to work on with Jersey, I think that would be a really good thing to aim for.

1335 **Deputy Ferbrache:** Mind you, I would hope it would be a Concorde project that would work.

1340 **Deputy Helyar:** Not necessarily but it needs to be something ambitious which has an output of some sort.

1345 **The Chair:** Can I stick with the idea of large sums of money and move onto borrowing to fund capital expenditure. So we are now told it is unlikely that there will be a need for any further external borrowing. How close did we actually come to borrowing?

1350 **Deputy Helyar:** Not close enough is probably the answer.

1355 **The Chair:** Now you are expressing personal opinions, Deputy Helyar!

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Deputy Helyar: Perhaps but I am the only one, it has never come to the Committee as a decision one way or the other so I am probably the only person as the lead that can comment on that along with the Treasurer, because we had several discussions about it, negotiations with possible lenders but the need to press the button did not occur.

The Chair: Okay and were any significant expenses incurred in that process?

Deputy Helyar: Not that I am aware of.

The Chair: Nothing. Okay.

Does it concern you that the predictions on the need to borrow now seem so far out?

Deputy Helyar: No. I mean this did come up. There was quite a lot of comment in the media about this and why are the predictions not close enough and so on. I think people really need to look, we seem to have forgotten that we had COVID and the most extraordinary financial times that anybody can conceive since the Marshall Plan.

Betting on how much document duty we might get in September, for example, is pretty much impossible unless you rely on historical trends and, of course, a lot of those historical trends were literally thrown out of the window.

We had a surplus of duty from cigarettes, for example, because people could not travel and buy cheap cigarettes on our airline. I understand the frustration and at the same time we had a swing in our investment returns, for example. Thankfully, and I say thankfully in an unapologetic way, most of the swings were in the right direction, which we should all be really grateful for.

Deputy St Pier: With rising interest rates, we have missed the boat on borrowing anyway, haven't we?

Deputy Helyar: Not necessarily. I think we are still a good bet from an international lending perspective and certainly there does not seem to be any lack of interest in that if we were to do it. But certainly the rates would be higher than we could have borrowed at even six months ago.

The Chair: Do you think that the principal thing, though, is not the fact that we were wildly over-optimistic on how fast we could spend capital on projects?

Deputy Helyar: Not necessarily. I think Deputy St Pier just referred to there being a window of opportunity there and I think that was there, but I certainly sensed a high degree of reluctance to enter into borrowing to build things that we might not have decided what we want to do with them yet.

The Chair: So, given the positive results of the investment managers, do you think that the States should be borrowing money just purely to invest?

Deputy Soulsby: It already is.

Deputy Helyar: It already is to some extent, but we do not have any plans to do that.

The Chair: You are not pursuing that?

Deputy Helyar: No. That would be a –

The Chair: And do you think that the full delegated authority that was granted to you by the States on capital projects on just over half a billion pounds will actually be used this term?

1395 **Deputy Soulsby:** Well it is being used. We have got the Hospital modernisation. We see things moving up there already. Work going on for education. So, yes, a lot of work is happening, and the money is being used.

1400 **Deputy Helyar:** Yes, I think we have £77 million-£78 million, just under £78 million has already been used mainly on projects that obviously the Assembly has said that it wants us to prioritise. Unfortunately, we have not been through the whole process, beginning to end, yet to say whether it is a better way of doing it or not but, as soon as we know, I am sure we will be very happy to explain it.

The Chair: Okay.

1405 In the GWP of last year, there was mention of public/private partnerships and a pilot project on that kind of scheme. Has any progress been made on that and on any particular scheme?

1410 **Deputy Helyar:** No. There have been lots of discussions about different opportunities and, in fact, property, which was one of the things highlighted it might look a bit soft in the budget, because it was easy to beat a soft budget, property is one of the areas where we could, rather than simply selling a property we could gift it into joint ventures, for example, and developers would receive some of the benefit of selling what is subsequently built.

Those things certainly are being investigated. I know there have been discussions. Deputy Mahoney is not here to give you the detail on that. And we will continue to look at other funding mechanisms wherever they represent good value for the public.

1415

The Chair: And one other thing, Deputy Helyar, while you appear to be in the chair here. In the recent States' debate on secondary pensions, you referenced the £10 million that we had budgeted to receive from corporate tax and said there had been a delay on the international movements on that. Can you just explain that further?

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Deputy Helyar: So the chair of the OECD announced that he expected there to be a slip of a year in the implementation and obviously I cannot give any comments on what goes on in the US but there seems to have been more reluctance from the Senate, perhaps, to accept those proposals, and if they do not work on a global basis they do not work on an individual basis.

1425 It is one of those, pillar one and pillar two are in my view – and it is a personal view rather than a Committee one – if they are not entered into on a very wide global basis then they will not work because they then work as CFC type legislation. So if that were to happen then that would be £10 million that has been budgeted for in the Tax Review that would not be available to us unless we made other amendments.

1430

The Chair: Right.

So you think, I mean, it could be more than a year's slippage?

Deputy Helyar: It may not happen at all.

1435

The Chair: Yes. Okay. Thank you for that clarification.

Do you have some questions, Deputy Fairclough?

1440 **Deputy Fairclough:** In paragraph 1.7 of the executive summary, the report states that the States are running a deficit on the Social Security schemes, in particular the States' pension, which has a long-term funding requirement of £34 million per year. I would just like to ask whether this figure includes the impact of increases to Social Security contributions that commenced in January and those due to increase over the coming years?

1445 **Deputy Ferbrache:** Which paragraph in the executive summary? I thought you said 1.7.

The Chair: Is it the Funding and Investment Plan?

1450 **Deputy Fairclough:** Yes, sorry, of the Funding and Investment Plan. Sorry, I said the executive summary.

Deputy Ferbrache: That is okay.

1455 **Deputy Helyar:** We can come back to you with what the answer is.

Ms Haines: That is where we are today. The States have made decisions, which will reduce that (**Deputy Fairclough:** Right.) as the Plan B, if you like, that Employment & Social Security put forward last year but that is the position as we stand at the moment.

1460 **Deputy Fairclough:** Okay.

1465 **Deputy Soulsby:** So unless we structure a tax system those Social Security contributions go up and up. Under the same structure we have shown, from the work we are doing, we are trying to make it more progressive but the system we have got now is not but that is what we have got until a decision is made on the tax system.

Deputy Helyar: Sorry, so absolutely any changes, that will continue effectively on a –

1470 **Deputy Fairclough:** Yes, because Deputy Roffey was keen to bring that in, whatever happened, (**Deputy Soulsby:** Yes.) without having to wait for a Tax Review.

Deputy Helyar: So it would go up beyond 13%.

1475 **Deputy Fairclough:** Yes, okay. Thank you.

Deputy St Pier: Whilst we are talking about risks, can we just examine the impact of pay and inflation on pay and particularly the fact that so many staff are effectively connected with the UK through their terms and conditions and packages? To what extent is that reflected in this Plan to date or to what extent is that an as yet unquantified risk?

1480 **Deputy Helyar:** It has to be a risk. Inflationary risk and wage risk, particularly with the States as the Island's largest employer, could have a significant inflationary effect locally so we have to be very mindful of that and the effect, which it could, as you rightly point out, on the Plan. I cannot go into very much detail. Deputy Mahoney is not here, and he leads on those negotiations so I cannot really speak for the negotiations as they stand at the moment, but we have made a significant amount of progress with the respective unions that we have to speak to and I understand that is very positive and progressive but we must be mindful that can change and it may change significantly, depending on what comes through.

1490 I mean we have just had the debate on secondary pensions. One of the reasons that I said some of the things that I did in that debate is that we now understand, from the feedback we have had from investment advisers, for example, that manufacturing costs have gone up by over 18% in the UK. The manufacturers have only passed about 12% or so of those costs on so there is quite a lot of additional issues to come at us from an inflationary perspective and we must be very thankful of the fact that we own our electricity provider because most of the effect of what we can see in the UK inflationary – and this is one of the differences, why there is such a difference – energy differential has been kept down by the price capping that we have through our provision of supply from France.

So those two things together, I think, wage inflation and energy pricing are key for the next 18 months, two years, probably.

1500 **Deputy St Pier:** Thank you.

The Chair: Okay. Do you have any further questions?

1505 So an extant Resolution directs an increase in overseas aid from the current 0.1% of GDP to 0.2% by 2030. I note there is no provision for this increase, or none that I could see in the Funding and Investment Plan. How is it intended to meet that obligation?

1510 **Deputy Ferbrache:** Well, it will be a matter for the States, won't it? Individually the States could look at it again at Budget time later this year as to whether it feels that that should be advanced or not. I mean, at the moment, you are right, it is not included, because that is an extant Resolution of the States, which they have not developed as forcefully as they otherwise might, because of the reasons that we are all aware of.

But, again, that could be and if so, that will have to be accommodated. That is more of a budgetary provision in my view.

1515 **The Chair:** Right, okay.
Deputy Gabriel.

1520 **Deputy Gabriel:** Just thinking about the Civil Service, we mentioned pay awards earlier. Is P&R concerned about morale in the Civil Service, especially in light of the requirement to maintain resources to deliver the GWP and, if so, what do you consider the current situation to be and does the Committee have concerns around that regard?

1525 **Deputy Ferbrache:** Well, I am sure with any organisation, and this is a big organisation, the States of Guernsey, with thousands of employees, that morale can always be improved, and we all hear stories. I have heard for years, as a Deputy, 'This department is unhappy', or 'That department is unhappy', but all we can say is that the intent of every politician, every senior civil servant, is to address issues of morale as they arise.

Sorry ...

1530 **Deputy Soulsby:** Two points that I would make. One, I can understand the uncertainty that the Transformation programme, certainly over developing the customer, could cause issues and I know a lot of work did go on to try and support people during that whole process but of course that will be unsettling. But also, I think people, we should not forget, the sheer impact of managing COVID for two years has had on the organisation, particularly on the senior staff, who have really done a fabulous job but a lot of people are still exhausted from that.

1535 You know, you finish on COVID, the first round of COVID, you go into an election, new States' Members, new things they will want to do, trying to get things done, then more COVID, then Brexit, having to deal with Brexit. There has been a whole load of pressures on the Civil Service to do a lot of things and really the actual, I would say, the Work Plan should help the Civil Service in being able to manage the workload we have. Because before the Work Plan you have got various politicians going, 'We want to do this', 'We want to do that', and staff being pulled from pillar to post.

1540 The Work Plan actually helps staff to focus on the things that have been agreed should be done. So in that way I am hoping that helps the Civil Service in what they do. Because it is the whole moving from one thing to another, can cause instability, not knowing what they should be focusing on, but at least they can use, for me, much as it serves as a tool for politicians it is very much a tool for Civil Service to be able to put forward and say, 'You might you want to do that, President, etc., but this is the priority and this is what we are working to.' It kind of, in many ways, can help empower people, both politically and at officer level.

Deputy Gabriel: Thank you.

1550 So what is the current situation regarding the appointment of a permanent Chief Executive Officer and when can we expect an announcement?

Deputy Ferbrache: Deputy Soulsby and I met this morning. Do you want to tell the Committee about that?

1555 **Deputy Soulsby:** We did. We have been doing a lot of work from a job spec point of view. That has been agreed by P&R. We are currently working on the coms around that. I think we will have a discussion tomorrow about this but we are looking to start the process publicly, as it were, in the middle of next month, with a view to an appointment middle of July, late July.

1560 **Deputy Ferbrache:** By the end of July.

Deputy Soulsby: Middle, yes. Late July.

1565 **Deputy Ferbrache:** All things being well.

The Chair: Deputy Fairclough.

1570 **Deputy Fairclough:** I would just like to go back to the top 10 action list because obviously that is where a lot of the focus is going to be, I would imagine, leading up to and in the States' debate on this. Admittedly they are all important but is this list a matter of political decision rather than a decision based on the assessment of tangible benefits. I mean, how political was it to come up with this particular list of 10 items?

1575 **Deputy Soulsby:** It is very difficult to say that anything involving politicians is not political but it takes into account the resources we have and saying, right, there will be people who say we want to do all these things but it actually uses all the same people. You have got to balance it. You could say, 'Alright then, we only want to do these things, so we will not do any of that and we will get rid of all those people.' This is about balancing the resources we have got and saying what are the priorities of different Committees.

1580 So some people will say, 'No, we do not think we should look at blue and green economy.' But they might want to say, 'We want to look at more things that relate to the actual monetary, the financial economy ...' sort of thing. But then they have got to think about where we are going to get the resources to do it. It is about managing the resources that we have.

1585 I think they are all key areas that we should be focusing on. For me there might be some areas I would want to be more focused and say, instead of doing this big wide bit of work, can we look at this small amount of work, but this is a good start. At the end of the day we have a consensus system of Government and that is what you have got to work with. Whether certain politicians like it or not that is what we have until such time as we do not.

1590 **Deputy Fairclough:** I think you have hit on a really important point, Deputy Soulsby, and that is the resources, particularly the staff resources, as we have already touched on, are often the same people across a lot of these areas and we are looking at the same people time and again and expecting them to deliver things. I mean the top 10 actions in the first six months, was that realistic?

1595 **Deputy Soulsby:** Yes, and I think it has shown quite a lot of progress on that. I think more progress was achieved by doing it that way than would have been if we had not have had top 10 actions. I think the resources could have been spread much more widely and we would not have had that real concentration on those top 10. Some areas like the Development Agency area, probably, were slower than others, but a lot of stuff has been done because people have known it

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is a top 10 action. That will probably develop even more for the next year, particularly as we have the resources getting tighter.

1605 **Deputy Ferbrache:** Whatever action the States decides on 28th/29th June, when we debate the Government Work Plan, I think the Civil Service, people we have talked about, and there are not that many of them and they are stretched, would expect us, that is the collective us, all of us that make the decisions, to be consistent and cogent and make sure that we do not then say, three months in, unless there is something that comes out, but none that nobody can reasonably foresee, that these are the action plans, these are the ones that should be addressed and let them get on and help us make the policy.

1615 **Deputy Fairclough:** Policy & Resources agree, in 7.6, that additional resources to be redeployed from other areas, touching upon what we are discussing here towards housing matters, and I do not think there will be many people in this room that disagree that that is an absolute priority, are those other areas over-staffed or will business as usual and committee work suffer as a result of the redeployment of staff to serve that particular work stream?

1620 **Deputy Soulsby:** As I say, resources are tight. It is where we see that there will be flexibility and where we can move people from work they might have been doing previously, in terms of policy development, we re-assign them elsewhere. What does work much better now and the change that the interim CEO has done is have the Committee secretaries report through to the policy team, the head of policy, whatever the title is – basically the person who was the lead on developing this policy letter. So the policy link is much stronger than it was before when it was reporting in a different line, which did not make sense.

1625 This helps in terms of the co-ordination and policy and I think the Committee secretaries have been very good in working together with that policy, head of policy, to make that happen. So I think that makes it far more joined up and the Committee secretaries working very closely together in a way, which is really good for the States, instead of having, it works against that silo way of working.

1630 I think that is one thing we have always been having to battle against and manage but I think that is one change that has been made that will help and it has helped in the development of this policy letter because there will be Committees who will have wanted to do lots and lots of things and they have been advised throughout the process, 'Look, you cannot do everything. It is about managing what are the key things that you really want to do.' Taking into account, yes, policy development but also BAU.

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Deputy Fairclough: Deputy Helyar has already used the words 'too ambitious', potentially, this Plan. Deputy Ferbrache, do you now regret using the term 'action this day'?

1640 **Deputy Ferbrache:** No, not at all. Absolutely. Because that has got to be interpreted in a common-sense way. I am now expressing a personal view, my colleagues may well hold a different view – they probably do, I think the last several States have done almost nothing of any consequence that have helped in relation to it. We have been forced – you have touched upon it before with MyGov, in the question you asked – we have been foisted, I think would be the right word that I would choose, with policies that, to me, were ill thought out and had not been developed as well as they should.

1645 We have got to address that. Now I, as an active person, would like to get on with things much quicker than we are, than we can. But because we are a democracy, and long may that continue, and because we have got procedures, some of which will need to be changed, things take longer than they should.

1650 So I certainly do not regret that phrase at all and I would ask you, Deputy Fairclough, and all your colleagues on Scrutiny and all the other Members of the States, to try and get some action this day rather than we always talk things and take too long to make decisions.

Deputy Le Tocq: Can I just comment on that?

1655 Sorry to come in there but I think, having seen several ... been part of, I am the only Member of
the previous P&R here. We have had some criticism of the previous Committee, so you can level it
at me if you want, but the point is I think we have been over-cautious in the past and that is the
opposite of over-ambitious, I suppose, it is over-cautious. Trying to get to the right balance is one
thing but that is not the only ambition. A proper degree of ambition is not the only thing that might
1660 hinder your progress, it is circumstances around you, outside of your control. Of course, economic
and other social circumstances in the last few years have come upon us in ways that we were not
expecting, no one was expecting, and that has already been reflected.

So I think we are heading in the right direction. I would say that it is probably, from my point of
view, I would rather be more ambitious than more cautious at this time, because I think we do need
to demonstrate, particularly where younger people and where those who are less able in Guernsey
1665 are losing out, we need to demonstrate a volition on behalf of Government because no one else
will act on their behalf.

Deputy St Pier: That segues into one of my final questions, which is in paragraph 5.7 of the
policy letter, you have a sentence, which reads:

1670 The need to develop clearer strategic aims is acknowledged.

Is that what you are referring to, Deputy Le Tocq, in terms of ambition, in terms of articulating
what it is that the States wants to try and achieve?

1675 **Deputy Le Tocq:** Sorry, I am just trying to find it. (**Deputy Ferbrache:** Paragraph 5.7)
Paragraph 5.7.

Deputy St Pier:

The need to develop clearer strategic aims is acknowledged.

1680 **Deputy Soulsby:** Sorry to interrupt but we have talked about and developed the three in 1.1
about securing the Bailiwick's resilience, maximising communities' collective potential and ensuring
we are competitive as an economy.

We can have lots of other fine words but these are things that I would have thought the
population expect and hope that we can do. We have got a Plan. We talk about 'Oh, is it ambitious,
1685 have we put too much in it?' but it has been resourced. A lot of work behind the scenes with Steve
here, Bethan, policy lead, to really make sure, with all the Committee secretaries, with the
Committees, can we resource it? But there is BAU. There are other things that happen all the time.
Things happen that need to be managed. We do not live, you know, in this little bubble where
nothing changes.

1690 With a fair wind and nothing changing, yes, we can do this but other stuff happens. It just does.
We know that. So this is, yes, it might be ambitious but it should be, it could be achievable and we
need to work on the basis of saying, yes, it could be.

The Chair: Deputy Ferbrache, you said that the States need to get on and do things; how does
1695 that fit with the vote on the *sursis* that we had on the secondary pensions review?

Deputy Ferbrache: Because we have got to do things sensibly.

Now, I know you were on the other side, I am just seeing I think all four of you voted the same
way, so you have got the same mind in relation to that and other things. I believed and I think –
1700 well I do not think, I know – the majority of the States believed that just to do something now,
action this day should not be silly action this day or unnecessary action this day.

I think the decision of the States was, too many double negatives, they are not not going to do secondary pensions. In other words it is likely to be approved. If the *sursis* had failed, I was going to vote there and then to implement the proposals, as was I know – because he said so in the States – Deputy Trott, who also voted the same way as I did in relation to that.

But he and I and 18 others took the view that it should all be considered later in the year when we have a different view, we have more information I should say, not necessarily a different view, more information as to where the world economy lies, where we are and other issues we have got to address.

One of the things we have got to address is the tax debate, the tax structure. The views now that people would take are probably different from the views, they might have taken three or four months ago on certain topics because of the way it has happened and they may well change again between now and November/December.

The Chair: Okay, that brings me on quite neatly, actually, to my very last question, which is about the cost of living and the current economic circumstances. The In-work Poverty Review that Scrutiny published in 2018 revealed the real struggles that working Islanders were having at that time and that was before the current economic crises.

The Bank of England governors recently talked about apocalyptic food prices. What measures will P&R be taking to assist the potentially increasing numbers of Islanders experiencing in-work poverty.

Deputy Ferbrache: I think we need to; we will address that. Deputy Helyar will be the lead on that in relation to what we can do. Because we have seen what the UK are doing. We have got to be addressing that. I do not want to be expressing a view that may be contrary to my Committee Members because we have not discussed that at any length yet, but it might be that we believe that we cannot wait until the Budget, three, four, six months' time, we have got to do something between now and then. But whatever we want to do is make sure it is a considered view and something we can reasonably afford.

Deputy Soulsby: For me, it is not just for P&R and certainly the growing inequality on the Island has been a concern of mine for a while and I have said that publicly before. But there are aspects of what has already happened, in terms of changing Family Allowance systems, so we have reduced doctors' fees for children and free dental check-ups that were not there before. That was done through cross-Committee working last term.

There is the work that Health & Social Care are doing, which was started last term on primary care, about how we can make that more affordable, because we know that is a big issue, but also housing and the work being done there because a lot of the costs for people, the biggest amount of costs, are in housing. As you will see, one of the actions in here is around what policy levers and stuff we can do to support people on that front.

I cannot say all the detail behind that at the moment. I have not been involved on that side of things but those are the sort of things that we do need to look at and a view to what is actually happening on the Island rather than what is happening elsewhere in terms of cost of living. We have got to actually make sure that what we do is the right thing and we are targeting properly.

We have got Employment & Social Security looking at the economic indicators and the work they are doing from a benefits point of view, I think, will go some way to supporting it and I think that is coming, it might be later this year in terms of what they see the balance should be on that side.

So it is not P&R necessarily. There might be short-term input that we can make just to tide people over if we are finding things really get out of hand here from a cost point of view, but it is definitely a whole States' approach that is needed.

The Chair: So finally –

Deputy St Pier: Sorry, do you mind if I just ask a follow up on that?

1755 Is it not inconsistent for Government to be increasing waste charges in the middle of the cost-of-living crisis? That is something that is directly under our control and yet we are choosing to do that now.

Deputy Soulsby: Well, that will be an issue, I would have thought, for the Committee concerned putting it forward and you might well be right. But that is not to –

Deputy St Pier: They have made their decision.

Deputy Soulsby: Yes, they have.

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Deputy Helyar: The same goes for energy, which is more significant.

The Chair: Can I just finish up with one supplementary to my last question because we are now past four o'clock.

1770 Looking at the Resolutions to be rescinded in appendix nine of the policy letter, number nine is about overcoming poverty and inter-generational poverty. The reason given by P&R for rescission is that new policy is now done through the GWP. Can you tell me how this important work is being picked up, especially given that it is more pressing now?

1775 **Deputy Soulsby:** Yes, through what I have said just now. Various strands are being brought together. As I say, it is something that is of specific concern to me, so I have been keeping an eye on it myself and certainly through the Government Work Plan it was definitely a theme that I wanted to make sure that we were absolutely focused on that.

1780 Before, actually, all these headlines and specifically what we have been seeing happening in the UK and before Russia invaded Ukraine it is definitely something that is of concern to me and that is why it does run through some of the elements in here. But it is not just me, it is just knowing that if we do not deal with that that causes more issues down the line.

1785 **The Chair:** It is a Policy & Resources Resolution, but it does bear on, obviously, the Committee for Employment & Social Security. Can you tell me why no consultation was undertaken with that Committee about rescinding this Resolution?

1790 **Deputy Soulsby:** That is not what I am aware of because, as I say, the Committee, Authority and sponsors of P&R and ESS so I would have assumed that they would have been involved in that. I mean, if ESS want to keep it, they can. I do not think it is a big issue, quite frankly, we could keep it back in. But that work is already happening anyway. That is all we are saying. So it is not going to stop that work it is just that we think it is duplicating what is already happening and I can assure you that that is not going to disappear.

1795 **The Chair:** Okay, thank you.

Well that is all the questions we have but before we wrap up, Ms Haines, did you want to just pick up on that point about education that you mentioned previously?

1800 **Ms Haines:** Yes. Just going back to the table in 4.8, I think there were two observations, one was the additional £5.01 million for education and note five below, when I have gone back and totted it up, there is a combination in there of one-off expenditure and ongoing expenditure. If you look at the one-offs, plus the ongoing for the years that are mentioned, it does come back to the just over £5 million that is mentioned there.

1805 Then the second point was around that table not tying up with the annexes and the reason for that is because what is shown in the table in 4.8 is for the full period of the F&I Plan, so including

2021 and what is included in the annex is just future expenditure. So, for example, if I give the example of the investment in the finance sector, £500,000 was spent in 2021, plus the £2.5 million that is shown here takes you to £3 million.

1810 **The Chair:** Thank you.

Deputy St Pier: Sorry, one final question from me. What is the current state of progress and timeline for the implementation of the IPSAS?

1815 **Ms Haines:** Yes, so you will see in the Accounts that were published last week that there is a commitment, there is a timeframe in there, now to full implementation by the 2024 Accounts.

Deputy Soulsby: You will see the long list that the valuation of the fixed assets for the first time, which makes interesting reading.

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Ms Haines: So next year they will be on the face of the balance sheet, but they are just included as an appendix this year.

1825 **The Chair:** Thank you everybody and thank you to all the witnesses for attending and increasing the public awareness and the understanding of the work that the Policy & Resources Committee does. Thank you to members of the media for attending and to those members of the community tuned into the livestream.

1830 Scrutiny undertakes regular public hearings with all Principal Committees to increase public understanding of key areas of Government and enhance openness and transparency, and details of future hearings will be announced on the Scrutiny website and on its Twitter account; and so the hearing is now closed.

Thank you.

The Committee adjourned at 4.12 p.m.