



OFFICIAL REPORT

OF THE

STATES OF GUERNSEY

SCRUTINY MANAGEMENT

COMMITTEE

Government Work Plan –
Policy & Resources Committee
Public Hearing

HANSARD

**Castel Douzaine Room, Guernsey,
Wednesday, 12th October 2022**

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*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 – Scrutiny Panel Member

Mr Mark Huntington – Principal Scrutiny Officer

Business transacted

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Scrutiny Management Committee

Government Work Plan – Policy & Resources Committee

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): Welcome everybody to this Scrutiny Management Committee hearing with the Policy & Resources Committee.

Today, we are focusing on the issues contained within the Government Work Plan. I am Deputy Yvonne Burford and with me on the Panel today are the Vice-President of the Scrutiny Management Committee, Deputy Simon Fairclough and Deputy Adrian Gabriel and also the Principal Officer Mr Mark Huntington.

Following this session, the Scrutiny Management Committee will decide if any further review activity is necessary and a *Hansard* transcript of the hearing will be available in due course, in addition to the live stream. So, if everyone can kindly ensure that their phones are set to silent, please, I will now turn to our witnesses and if you could introduce yourselves, please, starting with Deputy Soulsby.

Thank you.

EVIDENCE OF Deputy Peter Ferbrache, President, Deputy Heidi Soulsby, Vice-President, Deputies Mark Helyar and David Mahoney, Members, Policy & Resources Committee

Deputy Soulsby: Deputy Heidi Soulsby, Vice-President of P&R.

Deputy Ferbrache: Peter Ferbrache, President of P&R.

Deputy Helyar: Member of P&R and Treasury representative.

Deputy Mahoney: Deputy Mahoney, Member of P&R and lead for employer and property.

The Chair: Thank you.

Right, so we will move straight into the questions, and we would like to start with the Update Statement that you gave to the Assembly a fortnight ago, Deputy Ferbrache, and in relation to the Public Sector Transformation Plan you stated:

The scale of the anticipated savings meant that the initial expenditure would be recovered relatively quickly and there would be an ongoing benefit. However, in attempting to verify these figures, it has become apparent that the programmes of work were too complex, too ambitious and simply not deliverable. This leaves us in a position where current expectations in terms of savings are pathetic, compared to previous promises.

So, it is true, once again planned savings have not been delivered, the shortfall in 2021 being around £6 million. In that Statement you placed the blame for this firmly at the feet of the last Assembly, of which of course you were a Member, So my question is this: why has it taken two years for the Committee to realise the inadequacy of the Transformation Plan and when will the savings or lack of them become this Assembly's responsibility?

Deputy Ferbrache: I do not know where you have derived the fact that it took the Policy & Resources Committee two years to come to that decision. I came to that decision within the first two or three weeks of my presidency of Policy & Resources, if not before.

Two Policy & Resources Committees, firstly the Committee in 2019, I think it was, voted £8.9 million towards the £16.7 million and then we, in 2021, voted the balance between those two figures. The figures that were originally projected as a saving was £7.4 million *per annum*, after an introductory period, because obviously you do not press the button, the light does not come on straight away.

During the early part of my tenure of President of P&R, we suddenly got a report saying that that had been reduced to £3.7 million. Now there was no explanation saying as to why it had been reduced from £7.4 million to £3.7 million. It looked to me as if somebody had halved it. Albeit I can remember the line in the report that we had said that we hoped to do better. Well, doing better this year will be £420,000, i.e. a lot worse. Next year, in the Budget it is projected there could be a net saving of £1 million because it is £1.5 million and then you have got to take off £500,000 or something.

So it has been a situation thereby that, altogether at the moment, I think at the end of August, £11.5 million or thereabouts has been spent, I cannot tell you what was spent in September because those figures are not yet available, but it is going to be a bit more than £11.5 million. But the point in relation to that, I am not saying that every penny that has been spent has been wasted, I am just saying every penny that has been spent is not going to produce the savings that we thought.

Now, in relation to Transformation, Deputy Soulsby and Deputy Mahoney will deal with initial points in connection with that and say what has been done, what is anticipated, where we are going to go from there. Because they have both been, as we all have, heavily involved in that.

You made the point that, like every Member, I think, of the current P&R, only one Member was a Member of P&R last time and of the current five Members of P&R, only three of us were Members at the last Assembly, because Deputy Mahoney and Deputy Helyar have only been in the States now for a couple of years.

But the decisions were not taken ... Decisions are always taken by the Assembly. I accept that in theory and in actual legality. But in reality, where the decisions were, the Plan was promulgated by others.

There is no point looking backwards now. We have got to look forwards as to where we are and to do the best we can with the situation. Perhaps if I can ask Deputy Soulsby to comment further.

Deputy Soulsby: I can say from the last term, I was on public record saying I did not believe you could make £7.4 million pound savings on the back of the way that it was being approached, which was to get rid of a lot of managers. I did calculations and I think I read an article in the *Guernsey Press*, that HSC did not have the managers that we believed we could get rid of.

70 It was all based on the number of managers to staff ratio. That is fine if you are in a big service operation, and you think you have got too many managers to staff but it did not take into account the differences between the different types of Committees and what they did. I took the whole of HSC and analysed those management figures and of course it included people who did not have huge numbers reporting in. It included people like Emergency Department, consultants, people who
75 are qualified, the chief nurse and the medical director. They do not have lots of people directly reporting in that way.

So it completely misunderstood the structure of the public sector, but we took it on and we were told, from when we took office, that the savings were not going to be there. But we were told everything had a RAG status of green, everything was fantastic. Then we got to July last year and
80 we were told we need the next tranche of money. That was the extra £7.8 million. 'The savings are not what we thought they would be, but it is compelling, and we really believe it,' this is what we were told by the senior management at the time. We as a Committee, when it came to us, said, 'We are not happy about that we want to see more on this.'

The reasons for those savings to be less than they were projected before us, because the then
85 senior leadership team and ourselves said we want to see those savings verified, which meant that after that work had been done by the finance team then the validation was down to £3.8 million. But still we thought there was still a compelling case.

The need for Transformation is absolutely there. The whole concept behind what it is trying to do, digitalise, put things online, make it more user friendly and focused on the user for people so
90 they can do their returns, they can get a driving licence and apply for that in the comfort of their own home at times that suit them.

Other benefits absolutely listed in that made sense. So we told them to go away, come back again, and we supported it on the back of the strong assurances we had from the then digital lead and from the project lead that they were convinced that the savings were there and there were
95 more to be made. Lessons had been learned from phase one, which had been approved in the previous term and we would get more challenge in there so we would know more that was going on.

That is when we approved it and things were still showing green but by the end of that year, the interim chief executive, as he was then, the head of public service, believed he needed to put in
100 what they call SRO and a MyGov director to replace people we had there, and they really got into the nitty and gritty of it and they actually were finding out what was going on. It was on the back of that that we said, 'Okay, we will then try and phase the introduction.' That is how we have led to the vehicle licensing department moving, etc.

So that is why that was done but then, as we were getting nearer to that, it became more and
105 more obvious that the actual digital stuff, the stuff that we needed, had not been done. Very quickly we were finding, everything had been showing green and everything was fine and then all of a sudden it went amber and red in a very short space of time.

In that time we were given assurances that everything was working swimmingly, we were all fine and then we got it going from amber to red very quickly and that is when it was escalated up and
110 then Deputy Ferbrache, Chief Minister, made a Statement in the Assembly, because he thought it was really important that people knew very quickly what was happening on that front.

The Chair: Indeed that was the trigger for the Statement because of course it came just a couple of weeks after your normal routine Statement. So that removes our question that I was going to ask
115 you later. So thank you for that.

In the Statement you talked about the significant shortfall in the staff resource available to implement this Assembly's Government Work Plan, which indeed follows on from what you were saying, Deputy Soulsby. My Committee has had similar confirmation from other Committees in their recent hearings. What plan does P&R have to ensure that the States has the staff resources available
120 to deliver this revised and already pruned down Plan?

Deputy Soulsby: I think the real issue, as is the case everywhere, is finding the resource to do anything. We know there are issues in other departments. We know within Health, Education, getting people to ... a lot of it is linked to all the capital work we are doing. We have got people that we need to take out of their normal work areas to be able to focus on the capital projects, but you cannot backfill them with other staff.

I think we need to understand it is not going to be very easy to find those people. It is not about the money it is actually being able to find those people in a very hungry market. What we need to do is actually start honing down what is in the Plan even more. I think it is going to mean we have got to look very carefully at the capital projects we are undertaking because we literally do not have the bandwidth to be able to do it all and we have got staff who are really over-stretched because they cannot do it all.

The good thing about the Plan is it has shown what we did not know before we had the Plan was quite the extent that things were going on. We have honed it down but now, given the circumstances we are in, the wider changes that have been happening in the world, that are impacting us, that we really do need to hone it right down.

The Chair: So you are suggesting that the impact – and there will be an impact, I think we all know that – but the impact will be on capital projects?

Deputy Soulsby: We need to look at it all in the round because clearly there are recovery actions that are involved in this as well. From a capital point of view we are looking at the same people to be able to do all these things and we cannot clone them. That is our fundamental issue. We are going to have to look at the capital projects that we really do need to do and that is going to be a political decision. It is going to be a very difficult one.

The Chair: And –

Deputy Ferbrache: I know it is a difficult thing to say. Can I just add, **(The Chair: Yes, sure.)** it is a difficult thing to say: when I came back into the States six-and-a-half years ago I had this view that there was an overblown Civil Service. There were people sitting around, not quite under sun lamps all day or having a little snooze and going for a coffee break, but not far off that in some regard.

I can say, particularly knowledge gained over the last two years in my current position, that the resources are stretched to the absolute limit. Our civil servants – we have got many good quality civil servants – have worked, not only because of COVID and the other crises that we have had, but even business as usual, they have worked over and above what can be reasonably expected of them. Some of them are pretty washed out and tired and they have still got considerable challenges.

So, as Heidi has said, there is not a pool of people we can just go out and say, 'We would like to employ you to this role, this policy role, or that role.' Because they can earn more doing other jobs and they can be probably better considered by the public doing other jobs if I can put that judiciously.

So it is going to be very difficult. The truth of the matter is the Government Work Plan, well led over the last two years by Deputy Soulsby, it is still expecting the States to do too much. We have not got the resources, both financial and personnel, to be able to do what we – all 40 of us, the 38 Deputies plus the two Alderney Representatives – are being asked to do. I do not know, Mark, if you want to add anything in relation to finances?

Deputy Helyar: No, just that notwithstanding the pressure that we have on resources, the costs levels are rising, significantly so, we are expecting to spend another 10% on the Budget next year, so the revenue expenditure is forecast to go from £532 million this year to £573 million, primarily due to increased costs, due to inflation but also the nature of some of the staff that we are having to employ. HSC is a good example. Lots of agency staff now. They are far more expensive. They cost

commissions, they cost movement expenses, rental allowances, which have now been extended to four years to try and stabilise the churn.

The pressure is not just coming from a lack of resource, but it is actually increasing the cost of doing things at the same time.

The Chair: I see that. Thank you for that.

I think that sort of leads slightly to a question, again, that we would have had later, which was about these capital projects. At the moment the States is still churning out not just things in the GWP. I give you the example also of the Pool Marina, that an investigation was put into. Do you think that at the moment – and the other one I would cite, which was in the GWP, was the runway extension, which I know is quite controversial – but do you think that we are actually also spending too much of a limited staff resource on investigating these projects, which realistically may never be able to come to fruition?

Deputy Ferbrache: I think it depends on what the project is. You have mentioned, I know it is just for example, the Pool Marina. That will come back, as I understand it, to the States next April; some time around then. March/April/May time, let us say April for the purpose of this discussion. Now that could be a project that could actually earn, over a period of time, the States a considerable amount of money because it would be a marina available for bigger vessels, bigger yachts. You can see I do not even know the terminology right, as a non-sailor. And just make Guernsey more attractive to people who would be spending money.

There are other projects, which we could invest time and resource on, which are not going to give us a return. Now, we have got to do things. We have already budgeted, we have got the six-year hospital phase one and phase two project, phase one to be finished – what? – June/July of 2024, the other four years afterwards.

That clearly will not give us an economic benefit so much, but we have got to have that to make sure we have got a first-rate hospital service. That money is already in the bag unless Deputy Helyar tells me otherwise. That is in the bag to pay for that. So it really depends on the project. I do not think you could have an absolute yes or no. It will really depend on what there is, what is available and what we can do.

The Chair: And until such a project has been investigated in detail, by staff and on occasion consultants, you do not know whether it is going to be a viable project.

Deputy Ferbrache: I think some you do, at the outset, and some you need it. Again there is no absolute yes or no.

The Chair: Okay.

Deputy Fairclough: Can I just come in on that, Deputy Burford?

The Chair: Sure.

Deputy Fairclough: Has there been enough consideration of the prioritisation of capital projects? We have mentioned a few there and I am sure a lot of people would agree hospital is important, schools are probably important, but has there been enough consideration of the prioritisation of capital projects and what are the most important things?

Deputy Soulsby: In a higher level, yes there has. We have got must-do, delivery and pipeline. So we have said, 'Well these things are going off into the long grass because we cannot do them.' So we have already done that. It is not as if we are saying, 'Here are all the capital projects that there

225 were going,' and now we will say, 'we have got too many'. That has happened, just like we have done in terms of extant Resolutions from a policy point of view.

But we need to look at it in more detail, is what we are saying. We have got a list of those that are in that development phase, but we need to say, 'How many of those should we just stop now?' We are getting more and more into saying we can do less and less and focus on doing small things well rather than trying to do too many things badly.

Deputy Fairclough: So, following on from that, that is a key question, isn't it? What should we not be doing as much as what we should be doing?

235 **Deputy Soulsby:** Absolutely and I think that is something that as a Committee we are looking at trying to bring forward through the latter course of this year because I think we cannot wait until next July. We need to be looking at this in a more timely fashion, bearing in mind all the things that have happened over the last year, that have changed the wider picture that we are working in.

240 **Deputy Fairclough:** So, how might that manifest itself, Deputy Soulsby? Is that something you propose to come back to the States with?

245 **Deputy Soulsby:** We have got to agree that. What we need to do in the first instance is actually discuss this with States' Members – we are an Assembly, after all – and really gauge opinions and views about how we do approach it. It does not mean that we have got the answers to it and it is something that we very much need to work together to come up with something that we think makes sense.

Deputy Fairclough: Thank you.

250 **The Chair:** Thank you.

A point I want to touch on just very briefly here, perhaps in an effort to wrap it up, because it has been a long-running thing – I think we might have come to a conclusion in it – is the infamous 200 posts that were going to be removed from the Civil Service. Now, in your update Statement, you said that figure was in fact 99, but you also confirmed to me during that Meeting –

Deputy Ferbrache: Sixty of them are Agilisys.

260 **The Chair:** It is 60, is it? Well I was going to ask –

Deputy Ferbrache: I think it is 60 –

265 **Deputy Soulsby:** And that was always part of that sum. We are always talking about these posts. The posts are the savings and those savings were included in those posts. We questioned the same thing. We said, 'Well you have got 100, where are they?' We found, well, actually those savings that were included originally when it was first put to a previous Committee included those people being transferred from the States to Agilisys.

270 **The Chair:** Do you not think that might not be legitimate to include them because we might not be paying for them now, as civil servants, but we are paying for them through the Agilisys contract?

275 **Deputy Soulsby:** I hate to say it and I do not go out there bashing whatever happened in the previous States at all but in that instance that is what was decided, how it would be manifested. But actually there are savings within the whole Agilisys contract such that, I think, this year we are approving a reduced, in real terms, budget for Agilisys, because that is part of the agreed costings over this period of time.

I have not got the details of what those numbers are but it takes into account that so, in many ways, you can say that is part of the saving.

280 **The Chair:** I think the contract was always designed to work like that. It is hard to imagine that we are not paying for it one way or another.

 Okay, I think I will hand over now to Deputy Fairclough.
 Thank you.

285 **Deputy Fairclough:** Yes.

 We have touched on the Transformation programme. It was clarified in your Statement, Deputy Ferbrache, there was a planned spend of £16.7 million with £11.5 million of that spent to date. It was stated that if the £3.7 million recurring savings were made that you would be 'delighted', and I quote.

290 What is now the realistic financial return that we can expect from the programme in terms of one-off savings and also recurring savings?

Deputy Ferbrache: It is being looked at on an annual basis. This year, i.e. this calendar year 2022, it is going to total £420,000. Next year it is budgeted – but I emphasise the word budgeted – for
295 £1 million in net savings. So I cannot say to you, because I do not believe the information exists, that your question, which is a very fair one, that we are going to save, e.g. £2 million per annum, recurring. I do not believe that is the situation.

 But of course, as Deputy Soulsby said, there have been lots of IT improvements, if I can use that, because the idea is to make services available to people, 24 hours a day in some instances, so they
300 can do things online that they would have had to come into a States' office and do before. Now that has got a value. Difficult to say what the value is but it is a value to the citizen because they can address their own affairs and do things that they otherwise would have needed to take an hour of their day, when they could perhaps do it at nine o'clock on a Saturday night or three o'clock on a Sunday afternoon. So they are going to save their own time. It is going to be of value to them and
305 their lives.

Deputy Soulsby: I think it is important to understand the approach we are taking, working with the Head of Public Service on this, in terms of how we are going to do the transformation. The real issue with the approach that was taken at the start was a whole big bang thing, looking at the whole
310 organisation, turn it up in the air and coming down with a completely different way of operating.

 In a very big and unwieldy organisation of different parts and very different parts that is quite a challenge. We want to take a much more focused approach and an approach that works much more closely with those particular areas. I think there was concern from the start about people not knowing what was going on in different areas. I think if we are going to make change, as we have
315 done before, it is possible to do it, as we did in Health, you focus on the particular areas and work in that way; part of the whole expectation of how you can make things work better.

 I think creating these big projects that seem to be divorced from the people working in them never really works. You have got to work with people within that organisation and that way you will make things change. That is the approach that we are taking now.

320 **Deputy Fairclough:** So, have steps been taken to stop any additional spend? For example, has the internal Transformation team been reduced or disbanded?

Deputy Soulsby: We have stopped parts of the work that were ongoing and focussing on where
325 we can make change now with the funding that we have got right now. So focusing on register of contact details, web application and driver licensing is one area that is being developed. How we are going to go forward is very much being developed by the Head of the Public Service at the moment with his team.

330 **Deputy Ferbrache:** But also in relation to your point, as Heidi made before, we were told things at a certain level were green. All of a sudden, it was very quick-changing traffic lights that went from amber to red. Now it does not mean that those things have got to be ended, it means they have got to be dealt with in a different way, so people will have to address those.

335 Some things we will not be able to do. Some things we will be able to do but in a different way and over a longer period.

Deputy Fairclough: So how many people are still working in that team on these kinds of projects?

340 **Deputy Ferbrache:** I cannot instantly give you that figure.

Deputy Soulsby: Well it is not one team. That is the point.

Deputy Ferbrache: It is spread across a variety of work streams.

345 **Deputy Soulsby:** It is but it is a partnership and I say this is how it was decided to do it at the very start, a partnership approach between States of Guernsey staff and Agilisys staff. So it is what we do with Agilisys staff as much as what we do with the internal staff, so we have stopped work with Agilisys on what is a part of the pillar two work and we have just said we are focused on specific
350 core areas to make sure that we can start delivering in those areas, rather than spreading everything across all manner of different bits of work.

Deputy Fairclough: Okay.

355 Still on the theme of Transformation, Deputy Soulsby, please could you update the Panel on the progress of one of the Government Work Plan's four priorities this term, namely reshaping Government?

Deputy Soulsby: Yes, I am quite happy too.

360 I had an update to Policy & Resources Committee on Tuesday. We will be presenting some draft ideas, proposals that we have got to what is called the Presidents' meeting on Friday. That covers particular proposals. But also some discussion points that we would like further information on. That is still happening, and we are still on course to report early next year.

Deputy Fairclough: So, what is going to come back to the States, then?

365 **Deputy Soulsby:** The policy letter saying what we want to do.

We are not going to say to everybody what our plans are at the moment. We still need to go out to consultation. It is just working as the sub-committee on what we think might be the things that need to change but I am not going to say what those are now because that sub-committee
370 has not signed off anything and neither has P&R.

Deputy Fairclough: Thank you.

375 Committees are supposed to be increasingly working together this term, I think it is fair to say. Do you feel that that is the case? P&R holds regular meetings of the Presidents, the meeting that Deputy Soulsby has just referred to. What have those meetings contributed to solving some of these problems that you have been talking about?

Deputy Ferbrache: I think they have been good. I am not just saying it because it was my idea. But I think they have been good because it has allowed us to share information with other
380 Committees and them to share via their Presidents information with us. Because we are all busy.

Although we are transparent and I do not just mean we, I mean every States' Committee, I believe, is transparent, in the way that they conduct their affairs.

Just talking to the Presidents gives you information. They can ask questions. You can learn what they are doing next week, next month, in three months' time, on a practical and regular basis so certainly I can say I have been well-informed in those meetings by colleagues.

Now, equally, I think, because there are only 40 of us in the States, that it would be helpful if we could be in little groups. Members will recall, because all three of you took up the invitation, that I wrote to States' Members some time ago, saying, 'Let us meet in little groups.' I cannot remember if those were the exact words I used. You three took it up. I think out of 40 people, and clearly, I exclude my colleagues because they see me regularly anyway, two thirds did not bother replying. Now the idea of that, and you were party to those conversations, was to have a free-flowing conversation. Nothing was held back. You could ask what you wanted. You told me what you thought. I told you what I thought.

Those are the kinds of communications we should have. We do not just have fixed States' Meetings, where we exchange views and make speeches on policy letters that are before the States.

Deputy Fairclough: And I welcomed that opportunity, Deputy Ferbrache, as you know, and found it very constructive. But what does it say to you that two thirds of Members, as you say, did not take up the offer?

Deputy Ferbrache: I found it disappointing.

Because you never expect 100%, do you, in anything in real life. But the idea was to be open and frank and I found that everybody who attended, he or she were open and frank, they expressed their views, asked questions, and I hope they got the same impression from me, because that was the intent. It does not matter, there might be something I do not normally agree with, on States' Members, I still respect their views.

Deputy Fairclough: Deputy Burford.

The Chair: Talking of saving money and efficiency savings, will P&R pursue efficiency across the States, where opportunities exist? I will give you one example: bringing forward the review of primary education, knowing as it does that there is a significant opportunity there due to the over-capacity in the primary system, for saving money.

Deputy Ferbrache: I think in relation to that because we have a Committee system, even though we are the senior Committee, we have got our own mandate. Education is for education, like Environment is for environment. We have all got responsibilities in relation to that. I think that question, I will answer it, but I think that would be better directed to the President of Education, Sport & Culture.

Now my understanding, and if I have got it wrong, I apologise but this is my understanding, is that they have got their hands full dealing with secondary education at the moment and other matters and they see – of course it depends what happens in the election, etc. – that as being a matter for the next Assembly. That is my understanding.

Deputy Soulsby: Of course, if we are going to do something different, add to it. I understand the logic of why you say it should be looked at but then something else would need to go. It does not necessarily need to be education, particularly. It depends on how technical it is. I would say you probably do need some knowledge within education to do it but something, somewhere will have to give.

430 **Deputy Fairclough:** Just picking up on a point that Deputy Ferbrache has made there, because
it is an interesting observation about the Committee mandates and the Committee responsibilities
and I do not think there would be many people who would disagree with you about that. We have
very recently, in fact been currently seeing a number of Deputies looking at the area of energy
policy, for example. Isn't that a case of Deputies working on an area of responsibility that is under
435 the mandate of a Committee?

Deputy Ferbrache: Yes.

I think they are entitled to look at it. You do not have to be on the Education Department or
Committee to look at education and have an interest in it. If, for example, you have used energy –
440 and I am on that group, Deputy Helyar is on that group, Deputy Mahoney is on that group; I have
not done much about it, they have done quite a lot – in relation to that, if say 10 or 12 States'
Members, dealing with the point that Deputy Burford said, wanted as a group to address that then
the way to do it would be, as being done with the energy, to then speak in due course, as I am sure
will happen to the relevant Committees who have responsibility for energy, say, 'This is the work we
445 have done, do you think it is helpful what do you think?'

Because there is not a Committee that is under-worked, as far as I am aware. So any assistance
they get from somebody else is fine. I do not think you can say that, just because you are not a
Member of Environment or Education, you cannot deal with environmental or educational matters.

450 **Deputy Fairclough:** I think the question, maybe, is more about communication with those
Committees and knowing that people are working on areas. I do not think anyone has any,
necessarily, problem with Deputies working on pieces of work. Everybody ultimately is working, I
am sure, in the best interests of the Island. (**Deputy Ferbrache:** Absolutely.)

But it is the way that is done and the communication with Committees and knowing that things
455 are going on, I suppose, is the point.

Deputy Ferbrache: Sometimes you have got to think, there would be little point me going to
say – I am just using this hypothetically, I hasten to add – I am interested in education, so I am going
to do something about education. I say to the Education Committee, 'I am going to do something
460 about education.' Little point me doing that until I have actually done something; done some
research, carried out some work, and then say, 'I have done this, that and the other, what do you
think?'

Deputy Fairclough: Thank you.

465 **Deputy Gabriel:** Deputy Ferbrache, do you think that approach is perhaps faction-istic, or
driving a wedge between the Assembly?

Deputy Ferbrache: No, I do not think it is, because I think it is helpful.

470 If that particular group that Deputy Fairclough has referred to has said, 'This is our information,
we are only keeping it to ourselves, we are not telling you,' well that would be rather pathetic. But
to say, 'We have done this research, this is what we have done so far.' Then it should be discussed
with other Committees and other States' Members to say, 'What do you think?'

So I do not think it is factional, I think it is actually information.

475 **Deputy Gabriel:** Thank you.

The Chair: A couple of questions, I think, perhaps best aimed at Deputy Helyar.

480 In the Government Work Plan it states that the Policy & Resources Committee would like to pilot
a public-private partnership scheme, during this term, to determine the overall fit for the States of
such an approach. Has any project been identified in this pilot yet?

Deputy Helyar: No.

The Chair: No. Okay.

485 Is there any reason for that?

Deputy Helyar: Events, priorities.

We have had a couple of opportunities that were discussed with third parties but nothing has progressed any further and I do not expect it to.

490

The Chair: Okay, thank you.

A successful Resolution in the 2021 GWP authorised P&R to enter into new external borrowing facilities, up to a total maximum of £200 million for a period of 40 years. Have you missed the boat?

495 **Deputy Helyar:** It depends, really, on your view.

Borrowing costs have gone up. I think they are going to continue to go up. Really this goes back to the original question you asked, which is are we trying to do too much? That money was required only if we wanted to do everything that was on the list and I said, ever since the first debate, there is far too much in the list.

500 I would have not adopted the approach that we have, and it is why I brought an amendment to the last GWP debate, to require that everything that is in the list be ranked according to what individual Members want and then we should draw a red line around what we could afford and we should just do that. That is my view. But that is a personal view. It does not necessarily represent the view of the Committee.

505

Deputy Ferbrache: I think it is a view I would 100% support.

If you had a specific project you wanted to borrow money for, you would know and you would borrow money for that. That makes sense if the economics are right. But other than that we have not been – and again this is not a criticism of previous Assemblies or any Assembly – but we have not been as realistic as we should be.

510

The Chair: Okay.

Of course the borrowing was not necessarily tied to any particular project, but we will be spending money on capital projects this term. So do you regret that we were not able to actually secure some funds at the historically low interest rates?

515

Deputy Helyar: No, because they need to be repaid and we do not have any means of doing that at the moment because we have not finished the Tax Review. It is as simple as that. I know I have sat down with Standard & Poor and talked to them about our rating and so on. What external parties who look at our credit rating and credit efficiency want to see is a plan for paying for borrowing, if we have it, and we do not have one at the moment.

520

The Chair: Okay, thank you.

Deputy Gabriel.

525

Deputy Gabriel: Thank you.

Perhaps a question for Deputy Mahoney, as employer representative. We heard from Deputy Ferbrache how important the human capital is or the resources, the people in the Civil Service. The three-year pay deal for the established staff is made up in 2022 of a 5% increase and £500, in 2023, the RPIx figure from June, which is 7%, and in 2024 the RPIx figure less 1% of the June 2023 rates.

530

What methodology was used to determine that this deal is equitable, fair, and a useful tool to retain staff?

Deputy Mahoney: Working with the HR team and the employee team, the officers in the background, we looked at what was being done elsewhere, outside of the States. The main reason for the three-year deal was that, having done this once, in November 2020, I think it was, I realised, it became obvious how long this process takes dealing with the unions across 5,500 public sector staff.

The amount of time expended every year is way too disproportionate. So it was felt that they were a better use of time and of course it gives certainty to all the pay groups if you have a three-year deal on the table, which you accept, then clearly everyone knows what is coming around the corner and can plan accordingly. There is no confusion about what is coming up next year, will we get a pay rise next year, if we do, what will it be?

We took into account that by and large a vast majority of the public sector employees received a zero per cent pay rise the prior year, obviously with the exception of the Agenda for Change and then the PSEs, who received a small amount. So taking all of those things in the round, looking at what was coming up, those numbers were put together at what we thought was a very fair deal, a very good deal, in fact, I think I said at the time, and I still believe that to be the case.

Deputy Gabriel: We have heard that the States is still struggling to recruit and retain key staff. Is P&R concerned about the morale within the public sector workforce and, if so, what does P&R consider can be done to improve that situation?

Deputy Mahoney: I can only speak for myself but certainly, I should think, it would be someone strange who did not think, that was not concerned about the welfare of the people that work for the States, across every sector. But I think it was Deputy Soulsby, who said we have a finite human resource on the Island. We know we have a large number of vacancies in health, likewise education. We hear from the unions as well as the head teachers and everybody, concerned that employment and getting people to come to the Island is very difficult. But in fact that is not necessarily down to pay, in fact.

If you talk to the Southampton Trust hospital, they will tell you they are having trouble recruiting nurses. If you talk to the Chief Constable of Hampshire Constabulary, they would say they are having trouble recruiting officers. So whilst it is very easy to point a figure at, we are not paying people enough money there are other reasons that recruitment is difficult in this day and age.

One of them obviously is the cost of living, the cost of housing in Guernsey but that is the same everywhere. That is not a public sector problem, that is a private sector problem as well. If you ask any of the MDs of any of the larger financial institutions or retail businesses, they are having problems the States are experiencing as well. This is not a public sector problem; this is an employment problem on the Island.

Deputy Ferbrache: Adding to the points very well made by Deputy Mahoney, the last thing before we came here, it was certainly well after one, Deputy Helyar and I attended a financial sector forum meeting where we met representatives of the financial sector and they are, when I say moaning it is the wrong word, but they are stating about their employment shortages, the difficulties they are having in engaging staff, the concerns they have that eventually, if we cannot provide decent housing in Guernsey, because that is the main, that is the number one concern for them, if we cannot provide decent housing in Guernsey, those people would not only not come here, the business may go away.

I was listening to a programme on Radio 4 two or three weeks ago about nurses and a nurse had left the profession somewhere up in Manchester, to run a coffee shop, because she was just burnt out. She was a lady of about 45, she was burnt out. She had been a nurse for 20-something years. The statistics are horrifying. They are producing far fewer nurses than there is work for nurses. It is just impossible to fill the position. So Guernsey, with the added difficulty of a high cost of living and a shortage of attractive accommodation, that is something...

585 And of course then we get all the difficulties. We argue about whether we should build in a field or not, because we want to protect a few cows, but we do not want to protect our hospital services. So those are considerations that perhaps we ought to bear in mind. I know we may have different views on this Panel in relation to that and in P&R, but I am just expressing my own view.

590 **Deputy Gabriel:** Going back, Deputy Mahoney, to the good deal that you described, I understand that about half of the public service workers have not accepted P&R's pay offer yet. What is the Committee's plan B, given that that existence of the Industrial Disputes Law will drive groups in dispute with the States to tribunals? Have any budgetary risks of higher settlements been adequately accounted for in the budget?

595 **Deputy Mahoney:** Yes. When you say half the staff, what you actually mean is effectively two unions have not done it. So I accept that that may well be half the staff, but we need to be careful with semantics here, it is two unions, effectively. There is another small group but the people you are talking about are effectively the nurses and the teaching unions or the NCTLG, which obviously represents or negotiates on behalf of all of the teaching unions.

600 Now that is a matter that is ongoing, discussions with both of those groups. I am certainly not going to go into the details of those because of the stage that those negotiations are at. But really, with them, it is an ongoing situation, and we will see what we can do.

605 Ultimately, as you mentioned, the IDO is the next stage, if those unions deem that that is where they want to go and there is nothing I can do about that. That is entirely up to the membership of those unions, should they wish to take that route.

Deputy Gabriel: But has that been budgeted for or is there a plan B?

610 **Deputy Mahoney:** Budgeted for in what sense?

Deputy Gabriel: Any increase or the IDO?

Deputy Mahoney: No. There is nothing in the budget.

615 **Deputy Ferbrache:** The point has been well made. We have made it publicly. We have made it today, all four of us have made it today in our various contributions. There is no more money. We are going to have a tax debate in January and the States are going to have to make some difficult decisions. Not only us four on this Panel, you three there, every single person has got to make a difficult decision.

620 **Deputy Helyar:** So we have budgeted for a surplus next year of £33 million. I believe you were at the presentation that I gave on the Budget; £27 million of that is investment return and I have very little confidence that that will turn through. There is no more money to pay additional salaries.

625 **The Chair:** Future Harbours and the Development Agency: Deputy Ferbrache, in your routine Statement, early in September, on 7th September, you said:

I update you now to where we are with the Development Agency, the political oversight group, comprising of Deputies Inder, de Sausmarez and I, selected Mr Stuart Falla CBE to chair the Agency. This followed a rigorous and competitive process. Mr Falla will work with officers and the political oversight group to properly develop further the Agency. In the meantime officers have been directed to draft a revised Future Harbours requirement policy letter to be submitted to the States by the year end.

630 So my question is this: in June of last year, some 15 months ago, the States' Trading Supervisory Board, which includes Mr Falla, submitted seven different options regarding the Future Harbours to the Assembly in its previous policy letter. These proposals were based on the opinion of subject

matter experts, who had undertaken extensive background research at not inconsiderable cost and delivered to a project board that was chaired by Mr Falla.

635 The proposals were rejected, as you know, by the Assembly. What additional insight do you expect to be evident in the next policy letter to be brought by P&R to the States that was not available 15 months ago?

Deputy Ferbrache: I think it is in relation to saying, 'Look, we have now got a Development Agency. We have got an Agency. It needs to know which way it can go because it will in due course 640 formulate policies, formulate proposed developments, etc., for the States to consider.' Now one of those will be, because it is harbour, it is eastern seaboard etc., one of those will be whether there should be a third harbour.

Now the States have already made a decision in relation to that but I think, again my own view, is that it is fair for the States to consider that again, by the year end, so it is only another two or 645 three months, to say, 'Is that still the position of the States?' Because there is no further information that will be made available, to answer your question. 'Is that still the decision of the States?' Because if it is, fair enough, the Development Agency knows that that is not a consideration. There is no point, then, looking at what you could do down at Longue Hougue or anywhere else because that is cast asunder.

650 Or if the States changes its mind, and the States has on occasions changed its mind in relation to one or two things over the last X number of years, they can examine that further. But nobody has gone out and spent another £300,000-400,000 on further research.

The Chair: Okay, thank you.

655 Do you believe the Development Agency will ever be self-financing, or will a future P&R President be standing up in the Assembly saying that it was a mistake of a previous Assembly?

Deputy Ferbrache: I think it is like everything, isn't it? I think it is going to be difficult, frankly, in the foreseeable future. Whether an aged Deputy de Lisle, in 20 years' time as President of Policy & 660 Resources, stands up and says not only is it his 100th birthday but also he now thinks it can be self-sufficient, we will have to wait and see.

The Chair: And how will the Development Agency be occupying itself while it is waiting – (Interjection) Oh, I beg your pardon. How will the Development Agency be occupying itself while it 665 is waiting for the outcome of another States' debate on harbours and the production of local planning briefs, a process that is not expected to conclude until the middle of 2024?

Deputy Ferbrache: What Mr Falla will be doing and probably by March – I think no later than March, but about March of 2023 – we will be bringing it forward and saying, this is the team, because 670 Mr Falla's appointment would then have to be confirmed or otherwise by the States. It is probably the wrong phrase but it is an interim appointment, if I can use that phrase, because he will have to come forward and there will be a team of people and the States will be able to say yes, we accept those people, or reject those people.

But in the interim, we are looking for him to give us advice as to who should be on that panel, 675 how that should be followed through and also he and the people that he will engage with will not be sitting there, twiddling their thumbs, they will be coming up with some ideas that cannot be properly formulated or approved, until we move to the next stage.

The Chair: Okay, I think a lot of people were surprised, or will be surprised, to have heard that 680 his appointment was an interim appointment. Is it usual practice to wait nearly a year before ratifying someone's appointment?

685 **Deputy Ferbrache:** The phrase I use is an interim appointment because it has still got to be ratified by the States. So it is an appointment until the States ... the States will have to approve it. So whatever terminology we use, he is appointed but the States will have to approve that appointment, together with a team, in March of 2023.

The Chair: And if the States fail to approve that, then will you start the process again?

690 **Deputy Ferbrache:** Then he will not be appointed. They will look for somebody else.

The Chair: Okay, thank you.
Deputy Fairclough.

695 **Deputy Fairclough:** I would like to move onto property rationalisation.

As you know your Committee has a responsibility for States' property whilst E&I and ESS also have certain responsibilities for housing. Do you believe that it would be beneficial to go back to having a single committee being solely responsible for housing, in line with the arrangements in place up to 2016?

700 **Deputy Mahoney:** I cannot speak for what the arrangements were up to 2016 but my personal view of that is, yes, it would be beneficial.

Deputy Fairclough: Is that a view shared by other Members of the Committee?

705 **Deputy Mahoney:** That has not been discussed at P&R.

Deputy Ferbrache: It is still a fair question to ask. I agree with that view.

710 The biggest impediment to Guernsey being able to go forward, to provide decent housing for its citizens and to stop businesses developing their business, is the lack of affordable housing, either purchase-wise or rental wise.

715 **Deputy Soulsby:** Although the previous term and before the latest Machinery of Government changes, it really was, the Housing Department, it was public sector housing. That was the focus. It was not private sector and in terms of planning, as Deputy Burford will know very well, it sat with the Environment Department. Although it had housing in the title and gave that impression, it was not necessarily covering absolutely everything to do with housing.

720 **Deputy Ferbrache:** I think you were looking at a different kind of housing, weren't you?

Deputy Fairclough: Well, I was, but I was just going to come on to that and ask a supplementary question, if I may, to Deputy Soulsby: is this something that is being looked at as part of the reshaping Government work?

725 **Deputy Soulsby:** Yes, clearly, we are thinking ... we do not get down the rabbit hole of moving mandates all over the place and then having to change names of different Committees, if it is not necessary. But we have also got the tool in the box that I do not think has been used as well as it could be and I think it could have been used more, to have a special committee. We could set up a special committee for housing now, if we wanted to, but I think since the Housing Action Group (HAG) was dissolved that there are a group working together and hopefully that will bring some positivity.

730 **Deputy Fairclough:** I think Deputy Gabriel might come onto that particular issue in a moment but, just sticking with housing, do you believe the plans to increase the Island's population – we

735 know we have got a debate coming up on this shortly – over the coming years can be matched by the substantial increase in housing that is going to be needed, if that is approved?

Deputy Ferbrache: Again, it has got to be looked at carefully.

740 The simple answer is yes but getting to yes is difficult. Because you want a yes or a no answer, I think, really. There is an amendment that is going to be put forward by Deputies de Sausmarez and Haskins, which to me looks a credible amendment, is that also we should be looking at what infrastructure we need. You know, it is not only housing, it is all the bits and pieces we need with infrastructure, that we look at that too.

745 The two are not in conflict with each other. They seem to me to make sense. Because if the States agrees next week, I am saying 300, just using that as an example that will be a matter for the States, then we have got to look at what infrastructure we need to make that practical.

750 **Deputy Fairclough:** I mean the policy letter refers to up to around 4,000 new homes, potentially, going forward. I appreciate that is over the next 15 years or so. But that is a significant percentage increase in housing locally. (**Deputy Ferbrache:** It is.) Where can all of that housing be built?

755 **Deputy Ferbrache:** That is what has got to be looked at. You cannot just say, I am not going to say, because what I find frustrating – I do not think I am the only person – is that if you want to develop here it is a no, if you want to develop there, it is a no. The roads are not big enough, the drains are not good enough, the so and so is not good enough. That is fine. But people have got to live in reasonable accommodation, whether it is a flat or a house. They have got to have that kind of accommodation. That does not mean you build on green fields willy-nilly, you do not do that.

760 But there are sites, I am not going to name it, I was thinking of a site the other day that is 11 acres, probably, is a completely overgrown vinery, there is rubbish tipped all over it. It would make an ideal housing development, private housing development. It could be a high-rise housing development, etc.

765 Now I have not looked into it because it has only occurred to me in the last week or so, I bet there are 97.3 impediments to that being built on. Because there is going to be environment. There is going to be some beetle that will be crushed if there is concrete put on it. There is going to be some neighbour that can see it through a telescope, 500 metres away. There is going to be all that kind of consideration, or there is going to be the Resolution from 1972, whenever it was, that it has got to revert back to agricultural land, which it is never going to be.

770 We have got to be more proactive. We have got to try and solve problems rather than just create them. We are in a housing crisis. Even if we did not increase the population by one person, over the next 15 or 20 years, we have still got to build lots of homes.

Deputy Fairclough: Speaking to that point, Deputy Ferbrache, do you think that the Island Development Plan, Strategic Land Use Plan as well, is flexible enough to be able to allow for the –?

775 **Deputy Ferbrache:** Why do we have a Strategic Land Use Plan of 2012, when the world has changed dramatically over the last 10 years?

780 You have got to have a plan. You have got to have a planning plan, otherwise people would be building houses in fields in Torteval, etc. So you have got to have a plan but it has got to be much more flexible than the current one.

Deputy Fairclough: In terms of the review of the Island Development Plan –

Deputy Ferbrache: Starts next year, doesn't it?

785 **Deputy Fairclough:** – is that going to come soon enough? We know what a lengthy process that it could be, potentially. Is all of that going to be happening quickly enough (**Deputy Ferbrache:** No.) to be able to allow for the sort of growth that we are talking about?

790 **Deputy Soulsby:** I suppose that is a question for the DPA. They have got to understand what the issues are.

We are getting a lot of questions asked about areas, which I think probably fall more within their mandate. I understand how we need to co-ordinate as P&R but I think the DPA needs to be well aware of the situation. I am sure they are well aware of the situation that we are in and what they can do to expedite.

795 **Deputy Fairclough:** Absolutely, but what I was really trying to get at here was the strategic view that needs to be taken of housing. I know that we have had the Housing Action Group and we have now got a new version of that that tries to take a strategic look at the challenges that the Island faces in terms of trying to provide the amount of housing that is necessary.

800 **Deputy Soulsby:** Well, there is the Strategic Housing Indicator Report, which will be coming out shortly. It is a shame we could not have had it when we were debating the population and immigration policy letter, but I think that is going to be really important to decide what we actually need. Because there are a lot of people who think they know what we need but I think a lot of work has been done in that to show where the demand is and where we need to focus it. Because it is all very well building properties and then finding we cannot fill them with the people that we need.

805 **Deputy Helyar:** Can I just comment? We have had some legal advice about this because we have been looking quite hard at GP11 and the effects it has had, particularly, on building large sites, because not a single property has been built under that policy since it was brought through. The problem that we have with the legislation is it has become self-sustaining, so it is not possible for any Committee of the States or the States itself to change that policy without having a planning inquiry.

815 So we have literally embedded policy and made it quasi-permanent, which means that we now cannot move fast enough in the crisis situation that we find ourselves in without potentially withdrawing legislation.

Deputy Fairclough: So how do we overcome that, Deputy Helyar, in your view?

820 **Deputy Helyar:** Well, we cannot.

Legally we have created, as I said, a self-sustaining piece of legislation that we cannot alter. So if we want to alter GP11 or suspend it or remove it we would have to have a planning inquiry and that takes many months. Even if we were likely to start that process now it would not likely have effected any spades in the ground until after the next election, probably. The only other way to do it would be to withdraw the planned Ordinance, under which all of that policy framework is built. But if you do that you take the whole lot out in one go.

Deputy Fairclough: Thank you.

830 **The Chair:** Okay, thanks.

It has also been claimed that plans to increase the population and the resulting increase, obviously, in demand for housing and services, mean that Guernsey will never reach the point where we manage to solve the housing crisis as demand will always be increasing faster than supply. What is your opinion of that claim? Do you think that is a risk for the States?

Deputy Ferbrache: I do not think you are ever going to be, unless you take a negative view of life, a negative view of our society and economy and that it is going to decline, if economically we declined and the population shrunk to say, I do not know, 50,000, there would be enough houses. But they would be cheap. But people would not have jobs or they would not have well-paid jobs. Our schools would not be as good as they are. Our hospital system would not be as good as it is. People would have to take a significant reduction in living.

In a successful economy, you are always going to have housing concerns but there is a difference between housing concerns, which we are always likely to have, and a housing emergency, which we currently have.

The Chair: Okay.

Deputy Soulsby: Because we are going to have different views when it comes to the policy letter and some are quite happy to – I do not know how the rest of the Committee stands in terms of population increase – I am concerned the more people we bring in it is a Ponzi scheme. The more people we have the more people we need to look after and it just grows and grows and we end up being Hong Kong because we have got to build everything higher and higher.

That does bother me. I think we need to think outside the box on this and think about how can we help and support our population in terms of productivity, in terms of where can we get growth, rather than just through more and more people? I think those are the conversations that I would like to see more of.

The Chair: Okay.

I think this is a suitable point just to take a five-minute comfort break and also, before that happens, I would just like to thank Deputy Soulsby, because I am aware she cannot stay for the second half.

So thank you.

Deputy Soulsby: Thank you.

Deputy Ferbrache: Thank you.

The Chair: So we will reconvene at five minutes past three.

*The Committee adjourned at 3 p.m.
and resumed at 3.05 p.m.*

Deputy Fairclough: Welcome back to the second half of this public hearing.

I would just like to continue where we left off, really, on the subject of property and property rationalisation and a question probably best directed at yourself, Deputy Mahoney. At the first SMC public hearing with the Committee earlier this term we were advised that you believed the property rationalisation process was taking too long. When can we expect to see a full analysis of surplus States-held property and a proposed course of action for resolving the issue and will this be in the form of a policy letter to the States?

Deputy Mahoney: I still believe it is taking too long. The format that it takes, I do not know whether that is just in a statement to the States, or necessarily needs to be a policy letter, I do not think. But I am happy to do that. We are getting there. The rationalisation obviously is across a large number of properties, and, in fact, I suppose with everything in Government, things change as you are trying to do them. So the rationalisation, for example, re Lukis House and Perruque House, Carrefour House, Swissville and Garden Hill, where we have a whole range of services at the moment, and obviously the plan was to vacate Raymond Falla House and then move all those

services into one big community hub, fit for purpose and obviously all in one place, rather than five or six different sites.

Now working with HSC the proposed residents, if you like, of Raymond Falla House, have increased and increased, such that in fact now the plan is to have so many people in there that Raymond Falla House now cannot house all of the people that they would like to put in there. I wrote them down because I assumed the question would come up. That is people like the community nurses, children and family services, speech and language therapy, midwifery and a whole bunch of others, which was more than we had originally planned to do.

But listening to the officers on HSC, it was clear there would be benefits from having more people together in one place and so that has meant a redesign, effectively, of what we can and cannot get into Raymond Falla House. So that is currently where that is sitting.

Now, I had hoped, as I am sure I probably made public previously, that we would have had some of those properties sold by now. But of course we clearly cannot sell them until I have got somewhere for them to live and work. So that is why we have experienced delays there. It is an ongoing matter, I am happy whether that is a statement, I do not really see that it should be in the format of a policy letter – I can be persuaded otherwise – but that is where that sits at the moment.

Deputy Fairclough: Just one follow-up question on that then and using that example that you have mentioned, Raymond Falla House, which I think is currently being used for a vaccine centre, isn't it, for COVID? (**Deputy Mahoney:** Correct.) What is your approach going to be now, then, because clearly, from what you are saying, you cannot get all of the services that ideally you wanted to onto that location? So what are you now looking at?

Deputy Mahoney: So the plans are being looked at. Again there are initial plans for what could go in there without too much work being done. Those plans have had to be revisited so now new designs are being drawn up by a Property Services unit, internally, to see who can go in there, what obviously are the best, most efficient expense-wise, that we can put in there without too much extra expense. So those plans are currently being worked on by the Director of Estates and his team.

Deputy Fairclough: Okay.

Just one supplementary from me before we turn to Deputy Gabriel. Just on that issue of coming back to the States, the property rationalisation and the strategy property unit has got quite a history to it, I think it is fair to say. Obviously, this was the responsibility of the STSB at one stage. That responsibility then moved across to P&R, but STSB were mandated to come back to the States at some stage once they had had a look at the entire States' estate and how best it could be used to serve the needs of the States and the people of Guernsey.

That is my question about whether it should come back to the States because it never has done, has it, since I cannot even remember the year when STSB were originally sent away to do that?

Deputy Mahoney: Obviously with your previous hat on you would know better what previously happened in the States than I would. Should it come back to the States? My personal view is, if you are talking about which services move into a building, I really do not see the need for 40 people to sit and debate that and whether they should decide who moves in and who does not move in or whether a wing is put in there. My personal view is no, that is not required. But if, following this, I have 39 others writing to me saying, 'you're wrong', then I will have to reconsider that!

Deputy Fairclough: They could well, let's face it!

As soon as sites are talked about, and we have talked about one there, inevitably everyone has a view on it, don't they? That is one of the problems you are dealing with.

Deputy Mahoney: Yes.

935 It is the price of fish, everyone has got a view on that. I do not know, does everyone want to have a say in where every building goes? It will descend into getting zero done. We have got bigger things to look at than whether the midwives sit at Raymond Falla House or somewhere else.

Deputy Fairclough: But you will keep us up to date on that project?

940 **Deputy Mahoney:** Yes.

Deputy Fairclough: Deputy Gabriel.

945 **Deputy Gabriel:** I am glad you mentioned the States' Property Services Unit, because Principal Committees have been receiving a roadshow, for want of a better description, presentation by them and they are identifying the strategic property uses and potential changes. What, if any, opportunities for significant cost savings have been identified and, if so, what examples can you give?

950 **Deputy Mahoney:** Well, the ones I gave out to Deputy Fairclough, really. I think I named five or six properties there. Now if we are not maintaining those and we can sell those then obviously there is a capital receipt to start with and, of course, we are not maintaining five or six, other fairly old buildings by and large, which obviously affects our revenue.

955 **Deputy Gabriel:** So the plan is to sell those? Previously there has been public disquiet, then, over certain property disposals in the past. What process does the States of Guernsey follow when selling land and buildings?

960 **Deputy Mahoney:** Look for recommendations from the Property Services Unit, so they will evaluate. There were a few recently, which I assume were the ones you were referring to, a few old HSC properties, which were no longer fit for purpose and have not been used by HSC for a number of years, I am afraid to say, had fallen into disrepair. That is an historic matter, which I do not think there is any point in visiting. But the recommendation on each of those properties that we sold came directly from Property Services and P&R took that advice on board.

965 **Deputy Gabriel:** Deputy Ferbrache mentioned earlier about the Committees being transparent. How is that process, or how is the States' Property Services Unit transparent and open in their processes?

970 **Deputy Mahoney:** I am not sure how to answer that.
We are transparent but that does not mean showing you every paper that comes across the desk at P&R in terms of, 'Should I sell 1 Acacia Avenue, or should I keep it?' That would be, I am going to assume that other Committees have too much work on their plates already than to bother themselves on whether a single property should be sold.

975 **The Chair:** I think the point being driven at here, actually, is is it policy for every property, which the States wishes to dispose of, to be advertised publicly?

980 **Deputy Mahoney:** I do not see why we would not. I want as much money as possible for those properties, so yes.

The Chair: Thank you.

985 **Deputy Gabriel:** And have any lessons been learned from any recent sales?

Deputy Ferbrache: Which property are you talking about?

Deputy Mahoney: I do not understand the question.

990

Deputy Ferbrache: I think you have got to be specific, rather than say –

Deputy Gabriel: Okay, I will be specific then, the Platte Fougere property.

995

Deputy Ferbrache: Well what is the criticism of the Platte Fougere?

Deputy Gabriel: No criticism, just have any lessons been learned from that site?

1000 **Deputy Mahoney:** I do not know the property you are talking about. If Property Services have sold that, it is not something that has come in front P&R first. I am happy to be corrected by either Mark or Peter.

Deputy Gabriel: Okay, thank you.

1005 **Deputy Ferbrache:** If you employ quality professionals and the people that work in that property unit are in my view, although they work very closely with Deputy Mahoney, quality professionals, then you would accept their judgement. Unless you had clear evidence that you were selling something for £100,000 that was worth £500,000 because someone was knocking on the door, saying, 'I will pay £500,000.'

1010 But you cannot super, super-analyse every piece of paper that comes before you. If you have got quality professionals giving you what you believe is good, solid advice, then you accept that good solid advice.

1015 **Deputy Mahoney:** When you look at Upland Road, for example, that property is currently being renovated for the purpose of the economic crime team, etc. and potentially some of the Law Officers. But that was greenlighted by P&R and Home Affairs, and I do not need to receive that, 'we have now decided to put this on this floor and this on that floor'. We have professional QSs working for Property Services. We have four – on the seventh floor – of them that do this for a living, so I do not need to second guess every decision that they make.

1020

Deputy Gabriel: Okay, thank you.

1025 **Deputy Fairclough:** One of the aspects of the property rationalisation has been, or will be, I think, a reduction in States' employee-occupied buildings and a hybrid working policy, which has been referred to previously, where employees work between the office and home and I think there is some rotational working going on in some of the sites, now, across the States. Are you content that this policy has been correctly researched, implemented and applied? Is it working?

1030 **Deputy Mahoney:** I think, by and large, it is working. I think with everything where you are making a fairly major change to working conditions, probably the wrong phrase to use, but the way of working, then there are going to be issues that need to be resolved. Not everybody can do it. Not everybody probably wants to do it. So certainly no one is being forced to do it.

1035 If people want to work in the office, then there is a desk available for them. So that is obviously still fairly early on in the process of getting that on board, but I have nobody come to me complaining about it. If others have spotted that and want to raise it, then they should raise it with myself or the Head of the Public Service.

Deputy Fairclough: How reassured is P&R that working productivity and staff morale is correctly monitored and performances ensured when it comes to issues like this?

Deputy Mahoney: I think P&R, although we have a certain mandate, it is not to have reported into us directly by employees that, 'I do not think that is working.' I certainly have not received any – again I give way to anybody that wants to tell me they have received – stuff from members of the public to say, 'This is not working.'

But those areas, I guess, where people may be affected, I would suspect should be contacting the President of Health or Home Affairs or whoever that they are suggesting this is not working properly, Planning, for example, or whoever, to say, 'That does not work. There is no one at their desk. Something needs to be done about this.'

If we receive those reports, then obviously we would be able to look into them.

Deputy Fairclough: Have there been cost savings and efficiencies realised as a result of this change in the way of working?

Deputy Mahoney: Absolutely.

I do not have them today. I was not given the question beforehand so I do not have them to hand so I cannot give those out to you now.

Deputy Fairclough: That is something you could communicate to Scrutiny. Thank you.
Deputy Burford.

The Chair: Deputy Mahoney, sorry, I think we are still continuing with you.

As you will be aware there is always considerable public interest in property development because, you know, people see how it affects them. Could you therefore please update the panel on any possible progress that has been made on the Castel Hospital site?

Deputy Mahoney: Yes, the Castel Hospital site is not dead. Rather like Mark Twain's obituary.

That is still ongoing. In fact I had a conversation with Property Services about that last week to actually chase where we were on it. They are still looking at, in the initial phases, I will call it the hard pan, just for want of a better phrase, where there is currently a building. I am sure that is not the correct property phrase for it. To see what can be put on there in the first instance.

So, sort of, initial design plans are being drawn up for that.

The Chair: Okay and is that for larger houses, as was sort of initially suggested?

Deputy Mahoney: There are various options being looked at. For a smaller site, then certainly that would not lend itself to larger houses.

The Chair: Right, thank you.

So that is just on, essentially the brownfield part of the site?

Deputy Mahoney: Correct.

The Chair: Thank you.

Presumably P&R is also working with HSC on the plans for the key worker housing on the Vauquiedor, on the meadow there. Could you update us on any progress in that direction?

Deputy Mahoney: Yes.

1090 I believe we have now had what we were looking for from HSC. It was with them, so we have done our bit, for want of a better phrase, and we were waiting for HSC to come back. I understand that is now back so officers are now finalising that S5 but it has not been presented to P&R yet.

The Chair: Do you have a sort of a ballpark figure for when a planning application might get forward?

1095 **Deputy Mahoney:** I do not, I am afraid. I would be guessing a number and I am not prepared to do that.

The Chair: But it is not imminent?

1100 **Deputy Mahoney:** If imminent means is it going to be this week? No.

The Chair: Or even this year.

1105 **Deputy Mahoney:** I do not know.
That does not sound very imminent to me, three months. I do not know. I would have to speak to the Director of Estates to see exactly what now needs to be done, after HSC have done their bit.

The Chair: Possibly, in States' terms, three months is imminent!

1110 **Deputy Mahoney:** Well it might be imminent for the States, then.

The Chair: So Deputy Fairclough.

1115 **Deputy Fairclough:** I would like to just ask a couple of questions, if I may, on the Revenue Service. Regarding the integration of the Revenue Service and Social Security, has the customer experience, in your view, been improved and if so, has this and is this being measured?

1120 **Deputy Helyar:** I suppose it depends on how you interact with the service and how complicated your affairs are, really. It depends on the extent to which you might have a different experience, because the new system has gone in where we now have electronic submission, for example, of the tax returns, but there are significant IT issues in terms of the systems. We are effectively running to the old system and the new system at the same time.

1125 It means that, particularly those individuals with complex tax affairs, and when I say complex, I mean not just filling in the basic information on the form, are having to be dealt with in a slower, more manual method.

1130 We have had two, now, I think, press releases during this year. The first one in July indicated that we had, because of a number of complaints received, we had asked the service to report on its situation. We had received a report that they were significantly behind in terms of processing, and we asked them to re-resource that so that, in terms of looking at retired staff coming in to help inputting and review, but also looking to the big four accountancy firms to take people after the audit season, to come in and assist with processing out of date or very late returns.

1135 So, from memory, I think they had done 5,800 additional returns in the period up until the end of June and since then they have caught up even further. The issue there is that now we are going to a taxation basis, where men and women are being taxed independently of one another, if they wish to have it done in that way. It has effectively created 12,000 new customers for the system. So out of a surfeit of wishing to be fair, the States has created itself another complicated problem to fix, which will cost more money.

Yesterday in P&R, we were asked to vote some further money towards fixing the implementation of the new system and that, I think, was £5 million and then there was a recurring cost in terms of

1140 staff, to ensure that the service is up to date. Clearly, if we do not collect the revenue, we cannot pay for public services, so it is absolutely essential that that service is performed correctly.

Part of the issue to do with why the new system does not work relates to our relationship with Agilisys and the IT system, more widely, but that is being addressed and hopefully will be much more quickly into position, where a lot of the process will be automated for the public and they will be able to do it all online.

Deputy Fairclough: So are you saying the, was it £5 million or £4.2 million –?

Deputy Ferbrache: No, no. Five million: we were asked yesterday, which we approved, for an extra £5 million for capital, as it were. What we were told so far, in this revenue project, if I can use that phrase, is £16 million has been spent of an £18 million budget. But above the £18 million, because I asked whether it was £5 million on top of £16 million, it is £5 million on top of £18 million is needed to bring the project up to finality so that all the recommendations that were considered are dealt with and that the system was fully functional and delivering the better service that it should deliver.

Because as Deputy Helyar has said, it has done a bit of it but because it is a mismatch of old system and new system it needs to get completely into the new system. Plus, the other figure I was mentioning is the revenue figure, I think, somewhere between £1.2 million –£1.3 million in addition to extra costs that are going to be incurred annually.

Deputy Helyar: This goes to what you were talking about before in terms of working from home because the old revenue system, it is not possible to access it from outside the building. It is not connected to the internet, effectively. So because of COVID and staff shortages and so on, that really added significantly with fewer staff in the office to the backlog that had to be sorted through and that is now coming home to roost but we are working through it and staff are working very hard, I have to say.

They have done an amazing job this year in the amount in which they have managed to catch up in such a short space of time.

Deputy Fairclough: But the revenue and capital figures that you have just mentioned, those were not budgeted for. This is extra expense that was not anticipated?

Deputy Helyar: Yes, and it is something that we would like Scrutiny, for example, to look at when it considers the Agilisys contract.

The Chair: Thank you.

Deputy Fairclough: Thank you.

The Chair: Condor. On 7th December it just so happened it was both P&R and Economic Development's Statements in the Assembly and yourself, Deputy Ferbrache, and Deputy Inder both made comments about Condor, which included meeting with Jersey politicians and also meeting with the Chief Executive of Condor, on Deputy Inder's behalf.

What is the current situation regarding the agreement with Condor and what progress has been made on negotiations with Jersey and Condor on a long-term operating agreement?

Deputy Ferbrache: Jersey went into purdah for some time because it was coming up to an election and it went into purdah rather early, I thought, but anyway that was their business, not ours. They do it their way. So when I say they were not willing to negotiate with us they did not negotiate with us over a period of time because they had other considerations.

Now we have had recent meetings with our Jersey colleagues. Deputy Inder has been in discussions with the Chief Executive of Condor because, as you say, it is Economic Development really, P&R as well. We still have not got a tripartite agreement, which is what we would like between Jersey, Guernsey and Condor, but it is being negotiated.

1195 Now there comes a time when you have got to say enough is enough. We have not quite reached that point yet because I believe, I am not going to guarantee because I cannot guarantee the actions of a third party, I believe we will reach an agreement that will be satisfactory to the Bailiwick of Guernsey.

1200 Now there have been concerns about scheduling this year, we all know that. Anybody who lives in these Islands knows that. And I know that very recently indeed Deputy Inder has been taking that up so that hopefully for 2023, the problems of 2022 are not revisiting and he has taken that up with the Chief Executive of Condor.

But you are probably going to ask me about the purchase of a boat. Are you going to ask me about that?

1205

The Chair: Well, I was going to ask if the plans were still afloat!

Deputy Ferbrache: Well there have been no Exocet missiles yet, as far as I am aware but what is happening now is Condor are in discussions of their own with a third party about both buying a vessel and providing their own finance in relation to that. So that is going on.

1210 I said many times ago, in fact I think when I first appeared as President of P&R before this august body, that I thought shortly thereafter we would have a boat afloat. That turned out not to be possible. That information was given to me in good faith but, as has been said to me, it is not like buying a second-hand car where there are plenty. There are very few of the vessels that are needed to service the Bailiwick waters. They have got to be of a particular type, they have got to be of a particular length, etc. They have got to be of a particular capacity and they do not come along very often.

The Chair: Okay and would your preference be for Condor to provide the vessel rather than the States having to get involved in that?

Deputy Ferbrache: Well the States' involvement was through – and Deputy Helyar would know more about that than me – Guernsey Investment Fund. The Guernsey Investment Fund would have to be satisfied that it is a good investment before they advance the funds and it is done on a commercial basis. But obviously, in an ideal world, the more that a provider can provide themselves, the better.

The Chair: Okay, thank you.

1230 I will just come back briefly to the scheduling point. I think there is a concern, I would frame it as, that Jersey, having a larger market, has perhaps more negotiating power in terms of favourable scheduling. Do you think that is a problem for Guernsey?

Deputy Ferbrache: I think it has always been a concern, going back many years. You know, they have 100,000 and something people, we have got 60,000-odd people. So if you are a provider trying to provide for the people, if you have got a preference you are going to try and go towards those who are going to give you more business.

But we have made it very clear in our tenure that is not satisfactory and we have got to be better addressed in relation to passenger services. Because I do not think anybody is complaining about the freight service we get. It is as good as Jersey's. We are satisfied with the freight service.

1240

The Chair: Ultimately, do you think that Condor is going to require taxpayer support from Guernsey in order to run an additional vessel?

Deputy Ferbrache: Do I think what?

1245 **The Chair:** That Condor will require taxpayer support? In other words, States' money towards the operation of an additional vessel.

1250 **Deputy Ferbrache:** Well, I think I have just answered that question. If they do it will be through the Guernsey Investment Fund. It will be looked at as an investment in connection with that. Even with all the terrorists, nobody could have foreseen, you could imagine you would be running a passenger service and you have got COVID, so you have got no passengers and you have still got these expensive vessels to maintain. You cannot just put them in a harbour and they do not incur costs. Of course they incur costs because they have still got to be looked after.

1255 But they still have made a profit. Not the kind of return they would have wanted to make on their capital. They still have made a profit. So the routes are profitable. Not so much the passenger services, it is the freight services that make money. As I said, I believe we get good freight service from Condor but we are not going to allow, we would not allow any contractual negotiations for freight to be separated from the passenger service.

1260 **The Chair:** Okay, that is good to know.

Still on the subject of air and sea links, this is your third appearance before this Panel. On the first one you said, 'We will come before the States sooner rather than later with a joined up air and sea policy.' On the second meeting, which was in May, referring to the air and sea policy letter, you said, '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 than we anticipate but it should come relatively soon.'

1265 So here we are in October. When is this policy letter coming?

Deputy Ferbrache: Yes, I know,

1270 It depends what you mean by relatively soon. I am not being facetious. I do not believe between May and October is relatively soon. I accept that.

The Chair: Well January.

1275 **Deputy Ferbrache:** We are not the only Committee involved in that process and I am not criticising any other Committee who is involved in that process, in relation to it. Because before we can bring a policy in connection with air and sea connectivity, we have got to have the issue of sea connectivity dealt with. That is taking longer than, frankly, I thought, and it is still not resolved.

1280 So I would not like to say we are going to come in March or April or May. I would like us to come sooner rather than later. It is a bit like trying to grab hold of a bar of soap in a shower. It keeps slipping away. But we have got to address it. Condor's contract with Jersey, if Members will recall, ours is a memorandum of understanding with Condor. Jersey and Condor have actually got a written contract. It is in run-off. Jersey served a notice, quite properly, and in the course of the contract, which says by such and such a date, I think it is about another two-and-a-half years, or thereabouts, the contract will end.

1285 The idea of that is to make sure that the contract is concluded sooner rather than later. Condor would not want to run a valuable asset to them is the value of the contract. Deputy Helyar would be able to tell you more about that than I would, on their books and their accounts. They could value the contract. Obviously a two-and-a-half-year contract has not got a lot of value; if they can get a 10- or 15-year contract, it has got a lot of value.

1290 So it is an incentive for them to come to the negotiating table. But as I say we did lose, I would think, a good six, seven months because Jersey, it is not a criticism, they did not want to make any active decisions whilst they were in the election period.

1295 **Deputy Helyar:** Can I just add that, having spoken to Members of Economic Development, they have seen the new schedules and confirm that they are significantly better than what we have seen this year. (**The Chair:** Okay, thank you.) Which is a real bonus, I think, for the public.

1300 **The Chair:** And if we do get this contract with Condor to your satisfaction, is there still a need for a policy letter after that?

1305 **Deputy Ferbrache:** I think we would still want to bring a policy letter because it is a major thing. I think we could conclude it ... the public and the States are entitled to know what the connectivity issues are, and the States has to resolve them. Because air impacts, sea impacts, air not so much in relation to freight because obviously 99% or whatever it is of freight, comes by sea. But it is still an important issue. I think it is still a matter for the States.

The Chair: Okay, thank you.

1310 **Deputy Mahoney:** Just before that can I just interject, sorry.
It was just to pick up a point. I left Deputy Gabriel hanging and I am grateful to officers of sites who have come back to me with, I will read the note direct if you do not mind:

Re: the sale of Platte Fougere. It was agreed by the previous States' term and sold above independent valuation at that time. We understand it has since been sold, following significant investment by the new owner, in a much stronger market.

So it was previous term. So happy to clarify.

1315 **Deputy Gabriel:** I knew it was previous term. Thank you.
Going back to Deputy Ferbrache, still on the question on air travel rather than sea travel generally. In negotiating a robust and reasonable agreement with the States of Alderney, for funding the Alderney Airport Project, what are the Committee's objectives?

1320 **Deputy Ferbrache:** Well the idea is a policy letter will come before the States and, again, it will be an interesting debate, because there is never the right time to bring something like this, a proposed expenditure of that level for a community of circa 2,000, 2,100, however many people live in Alderney.

1325 But the idea is, if you look at joined-up Government, Guernsey owns an airline called Aurigny, which provides services to the Bailiwick of Guernsey. Now we, this Policy & Resources, concluded a PSO, which had been drifting around for ages. It had been through at least two routes before it came to us and was going nowhere. But that runs until 2025, another two and a bit years.

1330 Now we have got a new Chairman, or relatively new now, and a relatively new Chief Executive of Aurigny who, in my view, are a breath of fresh air. That is no criticism of the previous incumbents. I just think they are people who are quality and know their business backwards. The Chief Executive is saying to us, that is the States of Guernsey: we could save you £800,000 on any PSO arrangements going forward, if we can get rid of the Dorniers. Because, if you think about it, there cannot be many airlines as tiny as ours that have got three different types of aircraft: the jet, the ATRs and the Dorniers. All pilots are required to have different skills, etc. and it costs a lot to run.

1335 Now Alderney's airfield is a mess. I am surprised it has lasted as long as it has. It needs great capital expenditure anyway. The terminal is coming towards the end of its life and then, perhaps euphemistically, it is perhaps beyond the end of its life. It is tatty. The fire service bit that is next door to it that we all know when we visit Alderney, again, needs replacing.

1340 Now they are going to have to be replaced anyway, whether the runway is extended or not. Whether Aurigny receives a PSO going forward or somebody else, I cannot see any practical alternative for there being a PSO, a subsidised service to Alderney. Frankly, although things come

out of the clear blue sky, I doubt there will be many providers other than Aurigny in two or three years' time providing that service. So we want to provide it as economically as we can.

1345 Deputy Helyar had an idea, which is an excellent idea and we all fully supported it, we should have said Alderney has got to make some contribution towards it, a capital contribution towards it because it is a significant capital cost. And they are looking towards doing that and perhaps, Mark, you could explain what is happening in that regard.

Deputy Helyar: Yes.

1350 So we have worked with the Treasurer and the Treasury in Alderney to look at what capacity there might be within Alderney's accounts. Even though we are effectively in fiscal harmony from an Income Tax perspective and corporate tax and so on, Alderney now sets its own TRP. It is also, as a result of a States' vote, entitled to keep the proceeds of the Alderney Gambling Commission, which it uses.

1355 But, if I am honest with you, because of spending pressure, particularly caused by primary health care issues that we have had over the last nine months or so, there is very little fat in Alderney's accounts to be able to repay a debt. So we looked at the broad range, from £2 million up to £10 million, that could be contributed. But that would have to be structured over a longer term to ensure that it was able to cope with the cashflow required to meet the repayment over that period.

1360 But it is possible for up to that amount to be done but if it were the higher amount then we would be looking at sort of a 20-25-year term for it to be affordable. That does significantly reduce the additional amount that the States of Guernsey is being asked to do. Because the 1948 Agreement, our legal obligation to Alderney, really should have been revised in the 1970s, frankly, rather than be left, sort of, to drag on till now.

1365 That requires that we maintain an airfield. It does not require that we maintain an air service. There is an important distinction between those two things. There is an argument as to whether the airfield includes some of the ancillary services that go with it, such as maintenance of the terminal building and so on.

1370 So we felt that some sort of contribution from Alderney in recognition that it is important for their economy, although that does not feature very strongly in the policy letter, because it is really based around Guernsey's economic argument and the savings for Aurigny but we felt that was important and it would be an important signal for States' Members in Guernsey to acknowledge that some contribution has been offered.

1375 **Deputy Gabriel:** Okay. Thank you.

Deputy Fairclough: Sorry, just one supplementary on that.

Given that is not part of the policy letter, how are you going to introduce that into the debate given that it is quite a fundamental, well it is a fundamental aspect of the whole thing, funding it?

1380 **Deputy Helyar:** That is an interesting question.

I suppose it is a reflection of the fact that the discretion that we now have around the Government Work Plan and the way in which we fund CapEx. So the States will agree, it is not like the old system where everything will be costed absolutely and then people would go out to tender. 1385 The States would provide a £12 million permission and, who would have thought it, the tenders would come in at £11,999,000.99 with a whole load of extra scope in works on top, which was the position the States has found itself in traditionally.

All we can reassure is that we have that range of opportunity to make the decision around because ultimately the States is being asked to commit to another £12 million. The £12 million to 1390 do the rehabilitation, which we are legally obliged to do, has already been approved. The Propositions are now rehashed to include that extra money but a significant proportion of that could be provided by Alderney and I think the States' representatives from Alderney will be commenting on that during the course of the debate.

The Chair: Okay.

Deputy Fairclough: Sorry, just bottoming that out, might we see amendments, then, from P&R to that end?

Deputy Helyar: It is certainly possible. We have not landed on a particular number because we have not done all the work on what the costings are and if it was necessary to come back to States' Members.

I also think States of Alderney Members are considering making individual approaches to States' Members here to discuss that approach and how they might cope with some form of capital commitment towards it.

The Chair: Now, I have certainly, in picking up on what Deputy Fairclough says, I think that if it is designed to encourage States' Members to feel happier towards the proposal then to have that commitment from Alderney enshrined in Resolutions would be a stronger signal.

Deputy Helyar: Okay. That is noted.
Thank you.

Deputy Gabriel: I would like to move onto the 2023 Budget and the 2022 Budget Report and taxation. The In-work Poverty Review that Scrutiny published in 2018 revealed the real struggles working Islanders were having at that time before all the recent economic crises. The situation locally and globally has deteriorated significantly in the last few months, as has been highlighted earlier. Do you agree that significant, systemic change is needed through the tax system to reduce the wide financial inequity on this Island and lift hard-working, local households out of poverty?

Deputy Ferbrache: Do you want to answer that first?

Deputy Helyar: I would like to see some evidence of some of the things you have just made these massive assumptions –

Deputy Ferbrache: That was why I was pausing for reflection.

What I would like to see. This is me, Peter Ferbrache, not the President of Policy & Resources, I would like to see a States, for example, something States' Assemblies going back have not done. Have a look at middle Guernsey. I know that is a different thing. Have a look at what they have been going through for a long time. They are going through all the points you have just made. I do not know what you are thinking, I can sense what you are thinking in relation to that. What have we done for them? Absolutely nothing.

We are talking about people in poverty and people on benefits and of course they have to be provided for but we also have to make sure that the people that are out there earning money, educating their kids, paying for their kids perhaps to go to school, paying for their mortgages or their rents, perhaps a couple working really hard, that we consider them, not just those who are in poverty. We look at the people who are trying to advance their lives in relation to that.

Now it is not possible to suddenly say, okay, let me just pluck a figure from the air, and Mark will have this more at his fingertips than I do but I think I understand the point I am going to make. Let us just say, we were to say, all of those earning £60,000 per annum or more, which is well above the average or mean wage, that still is not an excessive wage in Guernsey, with the price of housing, the price of food and all the other things we talk about. They suddenly pay a lot more Income Tax. We have progressive Income Tax from that. I think it will be something like 40%, Mark, is that right? We would have to put Income Tax up for those people to 40% and on top of that they have got Social Insurance contributions of another 7%, 8%, 9% and 10%. So, 48%, 49%, 50%?

Deputy Helyar: That only raises half of the amount in the deficit.

Deputy Ferbrache: There you are. Mark has done the arithmetic with us. We have been through it time and time again.

Deputy Helyar: So basically if you are looking at an Income Tax and Social Security solution that would be 60% for everyone over £60,000, plus Social Insurance. If you are self-employed that is 13%. So you are looking at a 73% tax rate.

Deputy Gabriel: Which is not achievable, is it?

Deputy Helyar: I would tend to agree with you.

Deputy Ferbrache: I think all three of us agree on that and I am sure Deputy Mahoney would as well.

The Chair: Move on to –

Deputy Helyar: We have really in the Tax Review fired around the opportunities, if we can call them that, but none of them are particularly pleasant and the proposals that we are kind of narrowing in on now are still not something I do not think any politician would want to impose on the population but the alternative to that, I am afraid, is cuts, and significant cuts in public services. Quite significant amounts of money that would have a real impact, I think.

Deputy Gabriel: So is that the solution then? We have got the wider financial situation, it is very worrying for Islanders and its effects are being felt with mortgage rates going up and food and fuel costs rising. So what measures are P&R considering to alleviate the burden of the cost of living to Islanders, other than those in the Budget already?

Deputy Helyar: One of them in the Budget was to pause Mortgage Interest Relief, for example, which has been phased out for many years now. The control of interest rates is the Bank of England's job and it is out of our control but we are in a fiscal union in Sterling, so that would affect us. If mortgage rates rose significantly then we would have to consider re-implementing those rates, in order to ensure that that could be provided for and people are not squeezed in the middle.

As the Chief Minister has said, those who are already on benefits are protected by the uprating and so on that has already been done. We brought an urgent Resolution to the States under Article 66 of the Reform Law, to bring that forward, to spend some of the extra money that ESS had that had not been spent during the year in order to provide the benefits.

But very quickly it will be those with mortgages at the lower end of the earnings scale that will be squeezed and often, particularly those with families, those would be the ones to be targeted. I think we have agreed, and ESS in our discussions with them, that if we are going to provide support, it should be focused on those who need it rather than broadly. So general cuts in taxation of certain types are not helpful because they tend to benefit the wealthier more than they do those that need it more. So we would generally look towards things that are more targeted.

Deputy Gabriel: That brings me onto my supplementary question. How is P&R monitoring that? Is that through ESS officers?

Deputy Helyar: We have got some quite counter-cyclical noises coming out of the data that we collect so, for example, ETI receipts are up fairly significantly. So people are earning more. Whether that is as a result of a spike, and we saw quite a high, I think I mentioned it in the Budget discussion

when I did the presentation, we have seen a bump in dividends and distributions, for example. We cannot really identify why that has happened.

1500 We suspect it is as a result of those whose businesses have been curtailed in COVID, taking profits out, in order to cover their loss of earnings. There are various other steps that we could take in the meanwhile but we have been extremely lucky, I think, that our energy costs have been reasonably stable because of our relationship with EDF in supplying us electricity through the cable.

1505 The bump in oil price, which happened in the summer, has now levelled out and now come back down again, although it is still subject to a huge amount of fluctuation. So some of the worst effects of the cost of living rise have now been ameliorated here and now hopefully, touch wood, will continue on through the winter and into next year when the forecast expects inflation to start to level out.

1510 **Deputy Gabriel:** Thank you.
Deputy Burford.

The Chair: Okay.

1515 In the Budget that was published recently there was a 12% increase in spending. Do you feel that we should have tried harder to keep that number lower, given what we know about the difficulty with balancing the books?

Deputy Ferbrache: We have tried.

1520 But what do you say, when you get Health come to you and say, and Deputy Helyar has referred to that earlier, the agency costs, because we have figures from this morning, we have got over 400 and something vacancies in Health and Social Care, 451 vacancies, out of 2,300-odd full-time equivalent posts or whatever it is. So 19% vacancies in the Health Service and that is wider than just nurses.

1525 You cannot say to somebody, 'Well your mother is ill. We cannot have nurses looking after her because we cannot afford them.' We may have to do that in due course if the States does not grasp the nettle at the January debate in relation to tax reviews.

1530 So Health have come into us and said, 'Look, we have had to employ extra agency nurses.' And the cost of that, as Deputy Helyar has explained, is about three times as much, I think, for all the various reasons. So we need another million and a half pounds here. And we need another million pounds for this and we have just told you about – not in the figures but we have talked about – the £5 million that we have had to approve yesterday for a capital project for the tax system.

1535 So there are those costs. They are not wasted. It is not as though the money is being used frivolously. But we, the three of us, with our two able colleagues, we look at every increase and expenditure claim, or request I should say, that comes to us with real rigour. But it is very difficult to refuse many of them because they are so well researched, presented and they are so meritorious.

1540 So we could say and we may have to say, because Deputy Helyar has referred to the Budget with a £33 million surplus, but £26.9 million or £27 million of that is based on the investment return. This year we are going to get nil. Last year we had over £17 million. So we could get nothing next year, or we could get £5 million. If so we are down to the bare bones. You do not need many uncertainties, many unexpected increases in expenditure to turn what would be a net, but a very small net balance at the end of the day from turning the black into the red. And that is without us putting any money aside for capital infrastructure.

So we have got some very difficult decisions to make in just a few months' time and I look forward to us making those decisions, you making those decisions.

1545 **Deputy Helyar:** If I could just add to that, when you asked the question, Deputy Burford said, 'should we' – 'we' is the point, really, because I cannot cut anybody's budget. I have one vote in P&R and one vote in the States. Nobody is stopping Committees from cutting their budgets now if they feel that they can. It is incumbent on all of us, as States' Members, if they believe that tax will be a

huge burden, which it will be, on our economy, potentially crippling, to save money. That applies across the board.

Deputy Fairclough: I would just like to labour this point a bit because, in a way we have gone full circle back to the funding of the Government Work Plan. What you are suggesting, and I think everyone is fairly clear about it, is that unless certain decisions, or depending on the decisions that were made in January about the tax debate, that could then or will have an impact on the number of projects that could be funded under the Government Work Plan but how is it going to be decided?

Let's say there is not enough money to do everything that we want to do. We are kind of already saying we are at that stage but if that becomes clear following January, how then are P&R or indeed the States going to decide what is not done?

Deputy Ferbrache: I think what would happen is that we would have to, we at P&R, would have to come to every States' Committee and say, you know what decisions we have just made on 28th January or 31st January, whatever day we make the decision, 'this is the position, that is the likely income going forward in future years', because we are talking about future years, two or three years' time, 'we have got to sit down with you and you have got to come up with a 5% cut, a 10% cut, or we suggest that you do'.

But as Deputy Helyar says, we are not an executive committee. We are not an executive Government. So we could say – I am using Health as an example, I am not saying it is in any way practical or possible: 'You have got to close this ward and that ward.' How could we say that? In the first instance we have got to say to them, suggest to them, 'You come up with proposals.' Because they are running health and Education is running education. Environment is running environment. So those Committees would have a far closer day-to-day involvement with their responsibilities than we as P&R do. But ultimately it would have to be a decision of the States.

Deputy Fairclough: If you are talking about 5%, 10%, 15% cuts to Committee budgets a lot of those things – I am not saying everything – will be business as usual things, running schools, running hospital wards, etc. But there is some clarity that is needed between business as usual, things that Committees are doing every day under their mandate and what is in the Government Work Plan. So what is it that would be cut, the business as usual stuff on Committees or is it the stuff that the States already has prioritised within the Government Work Plan?

Deputy Helyar: I think it will be a bit of both.

We are talking about capital things, obviously, which will fall by the wayside if you have got nothing to pay for them. But also if you are talking about an annual deficit then that is revenue stuff you are talking about. So BAU stuff will have to be cut. There is simply no money to pay for all the services that we are currently providing. Will not be enough money to pay for all the services we currently provide at the level we provide them.

I am glad we are laboursing the point because it is going to be incredibly important in January that every one of the 40 people in that room know exactly what we are talking about here and the consequences of saying, 'No, I do not want to do that. I do not want to make that very difficult and unpopular decision.'

There will be real world, real life consequences from saying no, as amended, whatever happens. People have got to realise you cannot say, 'No, but I do not know what to do in its place.' You have got to have, 'No and this is what I will cut.' That is real world.

Deputy Ferbrache: Also in connection with that, we are talking about 2025. So we will be saying in 2025, or thereabouts, we will have just spent all the money on the capital projects like the Hospital, etc. That money is provided for. But all we will have left, we are not talking about the pension monies that are completely sacrosanct and kept apart like the civil servants' pension money

and what I still call the old age pension money. You know what I mean by that. We are not allowed to call it that anymore but anyway I do.

1605 What we will have is what used to be called the 'Rainy Day, Fund. I think we have got about £176 million or thereabouts in that. Now if you remember the idea was we would have a full year's revenue for that, so we are miles short of that. That is all we have left. All we have left.

1610 **Deputy Helyar:** We have been talking about this in terms of how the Tax Review is presented to the States when it comes back because, as you will be aware, we asked all Committees to draw up proposals for what services would be cut in the event of a 5%, 10% and 15% requirement to cut budgets. And all Committees came back, bar one, with suggestions as to how to cut costs. One of the potential structures of the policy letter, when it comes back to the States, would be either vote for the tax or vote for the cuts, and the schedule at the back will be a list of those services that will be lost as a result of not making the decision.

1615 Because I do not think we can have the discussion any more in the abstract. It would have been okay to have that discussion 20 years ago, when there was some lee-room in the accounts. There is no longer any fat. We are looking at coming out on potentially a zero outcome in 2023 and will that recover? It is very uncertain.

1620 **The Chair:** That is a very interesting point that you make that that may be the format of the policy letter and I am sure a lot of people will find that interesting.

Could I just labour the point a little bit further, though, particularly on the difference between capital and revenue spend. I think it is fairly well understood that if there is a requirement to cut our revenue spend that a 5% or 10% or 15% across all Committees might be a logical way to do it. However, obviously if it comes to cutting capital projects you might have a £60 million project that sits with one Committee, a £20 million with another Committee and ultimately you cannot say, 'We will only do 70% of that particular project.' So it is going to hone in on specific projects and I think the question is, and maybe this is what Deputy Fairclough was getting to, how will you decide which Committees lose their projects?

1630 **Deputy Helyar:** It will not be for us to decide. It is for the Assembly to decide.

Deputy Ferbrache: Via the States.

1635 **The Chair:** But the lead will have to come from P&R.

Deputy Helyar: But everybody, in my view, should be given the opportunity to say what their priorities are in that. We should not be the ones to say, 'We think you should build this wing in the Hospital and that school.' The Assembly should decide this.

1640 We went through this process in the first Government Work Plan when it was drawn up and there was a list of what the priorities were and it disappeared between the point of the start of the process and the Government Work Plan turning up in a policy letter. I would prefer to see, as I have already said in the States and the successful amendment said, Members be able to give their feedback as to what they think is the most important thing to build, in this case CapEx.

1645 **The Chair:** Thank you.
Can I move on to Deputy Gabriel, with question 34, if you could please?

Deputy Gabriel: Certainly yes.

1650 In your recent response to Rule 14 questions about the States' Investment Board, P&R confirmed that, unusually there was no local weighting applied in the recent tender process for appointing investment advisors. Or indeed any weighting as to the cost, as long as it fitted within an undefined envelope.

Do you accept that the tender process, therefore, resulted in the export of around three quarters of a million pounds from the local economy at a time when Economic Development is committed to increasing local procurement by Government?

Deputy Ferbrache: I think I am going to let Deputy Helyar answer that because I was not personally – I am not absolving myself of any responsibility because I am as responsible as anybody else – but I was not personally involved in that process.

Deputy Helyar: I think the question has already been answered in the Rule 14 answer. The reason for not having that local weighting was because we needed to have the best possible service for the £3 billion-plus invested and that did not necessarily include a local weighting requirement. So the fees are passing outside the Island but the returns will, should, be better.

Deputy Gabriel: Should be or will be?

Deputy Helyar: I cannot predict what ... if you ... give me a tip on the 4.40 at Chichester and I will be in. All you can do is pick the best advisor through the most rigorous process. I felt the process was too rigorous in a way. It was stultifying to have to go through the process but it did turn out that particular result.

The Chair: Okay.

I think at that point I would like to thank everybody. We have run out of time and I have promised Deputy Ferbrache that we would only go onto four o'clock. So thank you to all of the witnesses for attending. These hearings contribute to the public understanding of the work that Government does, particularly in this case the Policy & Resources Committee. Thank you to the members of the media and public for attending and those tuned into the live stream.

Scrutiny undertakes regular public hearings with all Principal Committees and we will shortly be updating our website with the next hearing which is estimated at the moment to be towards the end of November. So, thank you all, and the hearing is now closed.

The Committee adjourned at 4 p.m.