



OFFICIAL REPORT

OF THE

STATES OF GUERNSEY

SCRUTINY MANAGEMENT

COMMITTEE

Policy & Resources Committee
Public Hearing

HANSARD

Guernsey, Thursday, 11th April 2024

No. 2/2024

*Further information relating to the Scrutiny Management Committee
can be found on the official States of Guernsey website at www.gov.gg/scrutiny*

Members Present:

Panel Chair: Deputy Yvonne Burford – President

Deputy Simon Fairclough – Vice-President

Deputy Andrew Taylor – States’ Member

Deputy Adrian Gabriel – Government Work Plan Scrutiny Panel Member

Mr Mark Huntington – Principal Scrutiny Officer

Business transacted

Procedural – Remit of the Committee3

EVIDENCE OF Deputy Lyndon Trott, President, Policy & Resources Committee; Deputy Heidi Soulsby, Vice-President, Policy & Resources Committee; Deputy John Gollop, Member, Policy & Resources Committee; Deputy Bob Murray, Member, Policy & Resources Committee; Mr Mark de Garis, Head of the Public Service; Ms Bethan Haines, Chief Resources Officer3

The Committee adjourned at 3.38 p.m. and resumed at 3.45 p.m. 19

The Committee adjourned at 4.40 p.m. 33

Scrutiny Management Committee

Policy & Resources Committee Public Hearing

*The Committee met at 2.30 p.m.
in Castel Douzaine Room*

[DEPUTY BURFORD *in the Chair*]

Procedural – Remit of the Committee

The Chair (Deputy Burford): Okay, good afternoon everyone.

Welcome to the Scrutiny Management Committee public hearing session with the Policy & Resources Committee. So today we are going to be focusing on many of the issues contained in the Committee's mandate. I am Deputy Yvonne Burford. With me on the Panel today are Deputy
5 Simon Fairclough, Deputy Adrian Gabriel, Deputy Andy Taylor and Mr Mark Huntington.

Following this session, the Scrutiny Management Committee will decide if any further review activity will be undertaken and a *Hansard* transcript will be published in due course on the website. Could I just advise everybody that we are live streaming this session - thank you. We will take a short comfort break around 3.30 so if everyone could now ensure that your mobile phones are set
10 to silent, please, and I will turn to our witnesses, if you could introduce yourself, perhaps starting with Deputy Murray.

Thank you.

EVIDENCE OF

**Deputy Lyndon Trott, President, Policy & Resources Committee;
Deputy Heidi Soulsby, Vice-President, Policy & Resources Committee;
Deputy John Gollop, Member, Policy & Resources Committee;
Deputy Bob Murray, Member, Policy & Resources Committee;
Mr Mark de Garis, Head of the Public Service;
Ms Bethan Haines, Chief Resources Officer**

Deputy Murray: Good afternoon. Deputy Bob Murray, Member of P&R.

15 **Mr de Garis:** My name is Mark de Garis. I am the Head of the Public Service.

Deputy Trott: Deputy Lyndon Trott, President of the Policy & Resources Committee.

Deputy Soulsby: Deputy Heidi Soulsby, Vice-President.

20 **The Chair:** Thank you.

25 Right, we are going to start with housing, perhaps unsurprisingly, and first question, Deputy Trott, you recognised in your update statement last month, quote, there was only a 'net increase of 94 units of accommodation in 2023' and that this is 'nothing short of a significant failure which cannot be allowed to continue'. Given that in the last 10 years Guernsey has achieved an average of less than half of the typical 300 indicator, when for most of the time finance was a lot less expensive, what gives you confidence that we can achieve it now?

30 **Deputy Trott:** Well, firstly, thank you for the question, and I am genuinely delighted you have started with this because it is, in my view, our number one domestic priority, and the view I think of all of the Members of the Policy & Resources Committee, and I think most Members of the States.

35 I have said previously that I have never witnessed quite so much resolve and determination from an Assembly to get this right, to make this better, because I think the situation we are in, where no one questions language like we have experienced market failure, is because everyone knows, and that is precisely what has happened.

We know that we have got to build 800 or so new properties to get us to a level of equilibrium, nothing more. And the determination that we, as a Committee, are showing to bring forward the Leale's Yard project is an example of something that can move the dial because Leale's Yard has the potential to produce 330 units of accommodation.

40 And the news, following the decision on the Institute, which frees up the Coutanchez site, has the possibility of creating another 150-170 units. So there could be 500 units on those two sites alone. So yes, the short answer to your question is I have never seen so much determination, and if that determination is maintained, and I see no reason for it not to be, then I do think there is light at the end of the tunnel. I think it is shining quite brightly as well.

45 **The Chair:** Thank you.

Are you concerned at the very limited number of large building contractors on the Island who are able to take on such infrastructure projects, both from a capacity and a competitive point of view?

50 **Deputy Trott:** Yes. I think it would be foolish not to view that lack of capacity as a real concern, and that is one of the reasons why modular design is preferred at Leale's Yard, because it requires less on-Island capacity because of the manner in which these modulated buildings arrive in the Island. They are sort of prefabricated. So that is one way around it.

55 But of course the developers, who are often contractors as well, have made it quite clear to us that they will develop more sites if GP11 is removed. So my expectation is that the States will do that in the near future and if that is the case, we will be able to see if the assurances given to us by those developer contractors is accurate.

60 **Deputy Soulsby:** Can I go back to your first question, if you do not mind? You ask, why hasn't it happened in the past, and what is going to change now? I think the Arc4 report made it very clear there has been complex market failure, and I think, having been in the States and tried to make change from when I was in my first term, it is because the States have not wanted to do anything. They thought market forces, that will sort everything out, and clearly it has not and that report shows it is a complex issue but something that the States itself has to address.

65 In my first term, we tried to do something on first time buyers and were told, 'Oh, it would be inflationary.' After that, the house prices went down and nothing was done. And then you find in the Arc4 report saying, 'Oh, we need to consider what we do to support first time buyers.' So forgive me my frustration in why we are where we are, but some of us have, for quite a long time, tried to say that that intervention was necessary.

70 But I do think now that is understood. But we cannot just say that it is one solution. We can talk about GP11 but that is just one element of it. I think the Arc4 report, although it says a lot of what some of us already knew was happening anyway, is a really good starting point, and I wish we had

75 had that at the beginning of term. And then instead of various politicians having their ideas about
how we should deal with things, we would have something set out in there together with the
strategic housing indicator which shows the properties that we really should be trying to build.

The Chair: Okay.

80 Deputy Trott, in your, podcast that you recently did with *The Guernsey Press*, you said that
housing demand needs to better match supply and the Committee has spoken a lot about their
hopes for the supply side of things, but what, if anything, do you think we can do to address the
demand side of the equation?

85 **Deputy Trott:** I think demand is likely to remain strong for many years to come. And, in fact, I
think it is actually important that it does because that demand is, as much as anything else, evidence
of a strong economy. And it is particularly important that the community and business has
confidence in Guernsey in terms of what we offer as a place to live and work. One of the ways that
you maintain that confidence is to be able to reassure people that there is somewhere for them to
stay should they want to come and make their lives here.

90 So I think demand will remain strong at least, and in fact I hope it will. But that podcast, produced
a challenge or two because I did not have the opportunity to elaborate on the point about
affordability. It is accepted by the global community that the measure of affordability is five times
median earnings. Anything above five times median earnings is considered globally to be
unaffordable. And the median amongst our competitor jurisdictions, Jersey as an outlier, is around
95 nine, 10 or 11 times, so that is where most of the others are.

But we are at 15 or 16 times, Jersey even higher. It is clearly not sustainable, but there are a
number of different ways you can affect that. And one of them, of course, is building enough
affordable houses at the bottom of the chain in order to help alleviate that pressure, and also, of
course, raising median earnings, which is another example, another product of a strong and
100 prosperous economy.

So that is why I issued that clarification because I wanted the community to be certain about my
personal preferences, and that is a strong economy that deals with these matters, but one that also
recognises that demand will remain strong, whether that is in the commercial sector or in the health
care sector in particular, where much of the demand for affordable housing emanates from.

105 **Deputy Soulsby:** Can I add to that? Because we got some statistics from our property unit that
actually show that the average size of Guernsey property is 60% larger than properties in the UK.
So larger properties, more expensive. If we can – and this is why probably the accountant in me
came out when there were headlines about reducing the average purchase price – remember, we
110 are talking about the purchase price. If we have got proportionately more bigger homes that surely
tells you something.

We also know from the strategic housing indicator we need more smaller homes: one-, two-
bedroom homes. Putting that right will help bring down that average purchase price. That does not
mean an individual's home will fall and I think that those headlines about wanting to see house
prices fall is not what it was about. It is about average purchase price by default.

115 If we bring in and build, which is what we know we need, more affordable homes and more
smaller homes, that average purchase price will go down. The volume will be there and we will be
meeting a need. But at the same time it does not mean that people's homes that they are currently
in will go down. I do not want that and I am sure nobody around this table does either.

120 **The Chair:** Thank you. I will just take a moment to welcome Deputy Gollop to the panel.

Deputy Trott, at the last States' Meeting, you responded to a question from Deputy Queripel
about developing the Castel Hospital site by stating that we should instead concentrate on the
Coutanchez and Leale's Yard which you have already said today.

125 Given the constraints of current use and ownership at the Coutanchez and the evident
complexity of developing Leale's Yard has been shown over decades really, and given that there is
already a planning policy gateway under policies GP16A and 16B and existing plans previously
prepared by the GHA to develop the Castel Hospital site for up to 97 units of affordable housing,
130 how can you justify not looking to develop, as a matter of urgency, such a significant site that is
already in public ownership?

Deputy Trott: Well, I think this is a little bit like the field next to the PEH. The amount of time it
was going to consume to get that particular item through planning, and it was by no means certain
that it would, meant that it was time for prioritisation. And our view is that both Leale's Yard and
135 the Coutanchez site represent dial moving impacts on the housing market and should therefore be
a priority.

However, my personal view is I would raze the Castel Hospital site to the ground, and I would
use it as a housing site in the future. I see no architectural merit or social merit in preserving an ex-
mental asylum. But the answer to your question is there is a desire to have real priorities. And I can
140 give you a reasonable update on Leale's Yard if you want it now or you might want it later.

The Chair: Well, I think we do have a question on that, but carry on with it now as we are talking
about it.

145 **Deputy Trott:** Okay. Because the States are working with the developer of Leale's Yard, which
holds the options on the site. And it is important to remember that they hold the options on the
site and not with the Co-op, which owns the land. And the States are providing all professional
support at its disposal and are funding an experienced and highly respected independent reviewer
to ensure technical and financial risks associated with the project are mitigated and managed.

150 And the progress of that review is fully dependent on the developer meeting the technical and
commercial requirements. So the developer has a number of hoops that they need to jump through
in order to satisfy ourselves that their design is of the appropriate nature. And the output of that
review will be relied upon to complete commercial negotiations and will inform the
recommendations that we bring to the States.

155 On the basis of the current time frame and assurances from the developer on the availability of
the technical, logistical and commercial material, and barring any unanticipated delays, the
Committee expects to be able to make its next public statement, give its next update on the matter,
by mid-June, which is only a couple of months away.

160 Now it will be challenging to bring proposals to the States before the summer break, but that
does remain the target because it is important to see demonstrable progress to start the
regeneration of the Bridge. And the Committee has already used its delegated authority to agree
that the Committee *for the Environment & Infrastructure* should progress with enabling flood
defence proposals, to protect not only this site but also the area under the control of the Guernsey
Housing Association.

165 I think that demonstrates we are doing everything in our power to get this site going, and we
will apply precisely the same enthusiasm and rigour to the site in the Coutanchez.

The Chair: Okay. I think the thing is, just coming back on the question, that the Coutanchez site
obviously is dependent on the completion of the Guernsey Institute. That is not scheduled to be
170 finished for in excess of two years from now, which is why we are asking about the Castel Hospital
site because there are a limited number of sites that the States have control over that could yield
up to 100 units. And so this is the reason behind my question, notwithstanding the work that is
being done on Leale's yard.

175 **Deputy Soulsby:** With the housing, of course we are working with ESS and E&I in respect of
that, but we understand some of the Coutanchez could actually be built before the rest of the site

is cleared, so we can do that. But also I think it was the Government Work Plan, I do not know, it might have been some other thing that we ended up getting last year, which covered off the housing plan in terms of other sites that are identified that could be worked on.

180 So you could add the Castel. You could also add Frossard House, which is one that I think really does have potential and for quite a large number of units So, yes, we can add more and more, I think from what we were told quite, not forcefully but clearly, the other day about the capacity of the staff to be able to look at every single site there is going. But there is a plan and the States have agreed the sites that we should be looking at, and I think we are focusing on that, but we are also
185 thinking perhaps Frossard House might be an even easier one to get started than Castel Hospital.

Deputy Murray: Could I just add to that?

The Chair: Yes, certainly.

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Deputy Murray: Going back to the Hospital situation, there are three issues really that make it more challenging. The most important, really, is it is occupied. There are about 300 staff in there already, so we would have to decamp them to another location or locations before you could do, obviously, anything in there.

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The second is, obviously, parts of the site have now been listed, which makes it a bit more challenging – not impossible, but a bit more challenging – to try to achieve things. And, possibly, Deputy Taylor is probably clearer on this than I am, I believe it is just on the edge of the urban development site, so we would have to extend things to some extent. Is it not?

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The Chair: It is not the case if you put in an application under policies GP16A or B.

Deputy Murray: Well, yes, obviously. But it is not as straightforward, as it were, to just roll in there. So these are some of the challenges with that particular site that, obviously, put it a little bit further down the list. Not impossible to overcome, but also challenging.

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The Chair: And I understand in terms of the listing, the GHA has actually prepared plans which retain the facade.

Deputy Murray: I am aware of that, but yes.

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The Chair: Okay. Thank you.

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Deputy Trott: Let me just make this point, first of all, John, because I have got some data in front of me which I think is already in the public domain, showing that there are full permissions where work has not commenced, that would account for 360 dwellings, and there are 233 under construction, which is 593.

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But the disturbing fact about that is only 26 are affordable under the definition. So you can see where the problem is. There seems to be an adequate appetite, particularly in terms of permissions for housing that falls outside of the affordable bracket, but with only 26 in the affordable bracket, and with the GHA's appetite for development being not quite as voracious as it once was, it does fall to the States to enable projects from private developers like that at Leale's Yard in a way that was not the case previously.

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The Chair: I think that brings me on very neatly in fact to the next question which is, Deputy Trott, in the States last month, you said that you believe we should, 'call the developer's bluff by suspending policy GP11 for a period.' Obviously, that is the affordable housing policy and subsequently you lodged an amendment seeking to do that for a period of five years, against Deputy Dyke's Requête.

230 But don't you consider that to be an extraordinarily high risk and expensive gamble to forego
any affordable housing contribution from large private developments for such a long period of
time; and are you confident that you can fund the full extent of the Island's affordable housing
needs for the rest of this decade if we are not relying on it to come from developments at all?

235 **Deputy Trott:** Something had to be done. We are in a logjam position where the developers are
saying that they are not developing these sites because of GP11. And I would rather see more
housing developed almost irrespective of its type. But I do, and so does my Committee and indeed
all of the Committees directly involved in this, appreciate that the affordable housing side of things
is where the challenges rest.

240 For instance, we saw some information the other day that suggests that it is, notwithstanding
the point made earlier by Deputy Soulsby about the size of Guernsey properties relative to the
equivalent property in the UK, that it is almost impossible to develop traditionally and affordably, a
house that will be deemed affordable for less than £400,000, which is about 10 times median
earnings.

245 So that is why we are looking at, and our colleagues in particular are looking at, alternative
measures. We are just doing everything we can to support the work that is being done by ESS and
E&I around different types of design, which is where this modular design comes to the fore.

250 **The Chair:** But freeing up sites of 20-plus to come forward with no affordable housing
contribution on them and no contribution at all from developers because we know the developers
have said they are prepared to pay a tariff but your amendment, if successful, will not even include
that. So, on that basis, do you think a period of five years' suspension of this policy is not excessive,
because if nothing else it may lead developers to thinking that there is no rush to bring those sites
forward?

255 **Deputy Trott:** Well, I think there were many others within the Assembly who wanted that period
to be the decade that you referred to earlier, but we held firm. We said that five years was enough
to be able to see for certain whether or not the absence of GP11 had stimulated those smaller
pockets of development. Do you know, I am genuinely confident it will be because I have seen some
of the numbers, and I just gave you a particular statistic, that show that the excessive profits that
260 some in our community believe that developers are making are not actually, because of the costs
associated with the supply chain and the labour, as great as many think.

And in fact, if we do progress Leale's Yard, it will be under, I am going to use the word quasi
open book approach, but we will be able to see and share in that information – that is correct, isn't
it? – which will enable us to make sure that there is not any excessive profiteering, and that the
265 desire to make these properties as affordable as possible is maintained.

270 **The Chair:** Do you accept, though, by taking the 20-plus sites in private ownership out of any
affordable housing contribution, the likelihood is that if those States' sites come forward, they will
be for larger houses which then works against your average price of a house?

275 **Deputy Trott:** Well, not necessarily because the density and type of housing on those sites, of
course, is a matter for the DPA to determine. But I will repeat the message I said earlier. I would
rather have 20 houses even if they were above the affordability threshold, which they probably will
be, than not 20 houses.

It is this absolute market failure that has been such a problem for this community and the
building of any type of new accommodation will have an effect on the dynamics of the market,
probably positively, because the issue is a dearth of supply. I have already said I would not want to
see any particular reduction in demand, and I do not anticipate any particular reduction in demand.

280 But what I do know is that there are many within the ... we always talk about affordable housing
and social housing, we think of public sector workers and it is good that we should because nurses

are extremely important assets. However, our commercial world is finding it increasingly difficult to house its key staff, and that will, if left unchecked, eventually have an effect on our productivity and on our economic performance. Our economic performance, which I am sure we will come to later, has been surprisingly strong, and we anticipate that remaining despite the fact that the cost of housing is so disproportionately high.

The Chair: Can I just hand over to Deputy Taylor?

Deputy Murray: Can I just add before you do?

The Chair: Yes, please.

Deputy Murray: This is not that we have not got availability of sites for social housing or affordable housing. We do. We just have not, at this point in time, been able to get sufficient movement to make them move forward as quickly as we would want them to. So we do have a number of sites that obviously are ready to be developed, which primarily are with the GHA who obviously are also looking at all the factors that may be preventing them at this point in time actually moving forward. So the opportunity exists.

Deputy Soulsby: We are talking about GP11, and I knew that we would get fixated and I think that is the trouble, a lot of States' Members have got fixated with GP11 as if that will result in everything being fantastic, which I do not believe. But it also shows how we think, well, if we get rid of that, that means we will not have any affordable homes on those 20-plus units, but that is not necessarily the case.

There are other carrots and sticks that can be used, and I think that is why we need to. It is a complex area and that is why I think the Arc4 report is very useful. It is giving us a direction of all the different sorts of interventions and work that we can do to move forward to the housing that we need.

The Chair: Thank you.
Deputy Taylor.

Deputy Taylor: Thank you.

So Guernsey has had a housing association, the GHA, for just over two decades and during that time it has delivered around 1,000 affordable homes. The current estimate is that we need around 1,000 more new affordable homes by 2027. So does P&R consider there is a need for a second housing association or more to complement the work of the GHA and increase capacity at this critical time?

Deputy Murray: A couple of things based on that. One is that the GHA has become a mature landlord. So they now have, as you just mentioned, a portfolio of properties, which actually their business model has to sustain in terms of the income stream that they have as well as build, obviously, as best they can afford. So, obviously, they are reflecting and they have made it clear they have a 30-year plan that they are just putting finishing touches to try to organise how far and how fast they can actually move.

But we are already working with other providers in the marketplace at the moment on a couple of sites where we are doing a sort of joint venture type of situation. And consequently the door is open to anybody who can help at this point in time to actually move us forward because I do not think the GHA realistically can achieve that within the time frame that perhaps we would like it to happen.

Deputy Gollop: A personal view, not a P&R view or probably an ESS view either, is I think there have been other people out there, from here and elsewhere, who would like to explore more than one housing association. In fact, technically, I used to live in Rosaire Avenue. That is a different housing association, very niche, Housing 21, in the UK that does work for older people.

I think that the point is often made that Guernsey is actually subscale for one housing organisation, but then we are subscale in so many other areas, and we have to live with that. And I think maybe a degree of, not competition exactly, but housing associations that provided different products for different markets might be useful.

I agree with Heidi that Frossard House provides housing opportunities, so does the Castel Hospital and the King Edward Hospital. And to me, the fact that it is listed, and I agreed with the listing albeit not the way it was done, provides opportunities for more private sector housing because to me, if you provide more first time buyers and accommodation for people downsizing, but especially as Lyndon said for those working in the commercial sector, you not only benefit our economy, but you also free up other properties for key workers and those perhaps on more restricted incomes.

So I do not see our mission as just doing affordable housing or housing associations *per se*. I see there is potential out there to take on sites like the King Edward and the Castel when it is cleared. Bob makes the point it is still full, which it is. I think we could free those sites up as quickly as possible, but not just for social and affordable housing, but for housing above that level.

Deputy Murray: Just to be clear, that site is already under discussion with one of the providers for care homes at the moment, and we have extended and as far as I am aware at the moment, actually, they are motoring along quite well with that. So as John was saying, other alternatives that we require, like care homes, which we are going to need, obviously, a lot more of, that is a perfect site for that.

Deputy Trott: I would not hesitate to answer your question directly. I would have an additional housing association. I think the skills associated with development are not unrelated but there are differences to those required with the maintenance and consolidation of a housing book. And I would not hesitate in having two.

I do not think competition is a bad thing. I think it keeps people's pencils sharp, at least it should, and I think it is overdue. I would set about doing that *tout de suite*.

Deputy Soulsby: I think it is fine, but are we just going to replicate what we have got at the moment? I would question that. We do not just want two of everything, it would be just multiplying costs via replicating what we have got at the moment. It might be, as it has been said before, focusing on different aspects of housing, not just focused on one area.

We talk about key workers, and there has been a lot of talk about that. I do not think people really understand what key worker housing is. We talk about needing it, but not understanding which key workers we are talking about. I know from COVID that the people that we might think are key might not be the same people who end up being absolutely essential when push comes to shove.

So we have got to be very careful on that. But a lot of mix up when it comes to key workers: are they agency staff or are they permanent staff and people that we want on the Island and we want to keep on the Island, local people? I am concerned that lots ... and this happened with the PEH field, I think. It was all about, 'Well, we need the nursing here. We need them on site.' But at the end of the day, that was for agency staff.

But we cannot see families – and most nurses who qualify are married or they are with partners and they have got children – being in the small little flat on the PEH site would not be convenient. We are talking about agency staff. We do not want to be spending millions and millions of pounds on people who are coming and who will be going quite frequently, and in an area which was not a huge issue before COVID.

385 Before COVID, we brought down the number of agency staff we needed. It has become a big
issue since COVID, but I think that is reflective of the whole pandemic. A lot of people in the health
services had a really torrid time in the UK. A lot of them thought, 'Right now, I am just going to go
out, I am going to be an agency staff, make a lot of money at once,' and that was fine. Just get away
from it all. But after a while they find that, yes, they have had a nice increase in the salary, but there
390 is no security of tenure, there is no pension, there are no paid holidays. And I think over time that
will change and there will be that pool of agency relative to permanent staff will reduce.

So where I am getting to in this is this focus on what we call key workers has been mixed up. We
have got key workers. We have got locally people here now who cannot afford housing, who are
key workers, and we have got agency staff. And for me, we need to look at them differently and say,
what would best suit them?

395 Something I am interested in is the whole idea of micro housing, basically, ready to plonk down
on a site. They are ready built plug and play, which would really suit us now where we have got that
requirement, and then maybe less so in the future. But they are considerably cheaper. They would
do the business now, and then we can focus on the building that we need for our people, our local
people here, and for people we are going to need on a more permanent basis.

400 It is better for our community to have people who are invested in the community, who are
providing those services. What I am trying to say is we talk about key worker housing and it has just
gone off and it is just a frustration of mine that we have not even got a definition of it, at the
moment anyway. So it is one of those areas that we really need to think carefully about.

405 **The Chair:** Can I just bring it back to the question with Deputy Trott. You said you would be
interested in a second housing association, possibly with a slightly different remit. Is that something
that P&R is going to do any work on?

Deputy Trott: I think that is a matter that falls to the Committee for ESS. I am aware that Deputy
410 Roffey has some thoughts around this, but it is certainly something that I would personally support.

The Chair: Okay, can I come back to Deputy Taylor, because I think we need to keep a little bit
of a move on here.

415 **Deputy Trott:** It is just a short statistic, and I am sure you will not mind it because Deputy Taylor
reminded us that the GHA has been responsible for building all 1,000 affordable homes. But despite
that, private rental prices in 2021, the average rent was £1,817 from three years ago, which was
56.2% of median earnings. That is twice what Arc4 considers sustainable. So where median house
prices are three times what is considered sustainable, rents in the private sector are already twice
420 what is considered sustainable. You probably knew that, but I thought that was an interesting fact.

Deputy Taylor: So the Guernsey Housing Plan was published last October. Does P&R support
all the aims put forward within the plan, and is the Committee fully committed to resourcing them?

425 **Deputy Soulsby:** Yes. Certainly, Deputy Trott and myself both meet with Deputy de Sausmarez
as President of E&I with responsibility for housing policy, and Deputy Roffey as President of ESS;
and we go through the plan, it is all scheduled out, and we are supporting them. There is a lot on
there, and I think that what we need to do is make sure we are focused on the key areas which will
give us a best return to start with.

430 I have got one member of staff behind us who is absolutely attuned to this, and it is her bread
and butter. In fact, I think she wakes up in the morning and this is her big job. So, absolutely, we
are committed to that plan. And, certainly, it is something I think, yes, we have just got to do it, and
that is what we are aiming to do and seeing how we can work together to make it happen.

435 **The Chair:** Deputy Fairclough.

Deputy Fairclough: Yes, Appendix 11 of the GWP is the Annual Monitoring Report. One of the recovery actions with an end date of December 2023, which is to examine the options for provision of States-sponsored mortgages, loans, and financing options for deposits and purchases of properties available under a scheme aimed at promoting and facilitating homeownership. Could you tell us what the current status of that work stream is, please?

Deputy Trott: Yes. No, that has not been progressed at this stage, but there is an interesting segue from the previous question. I had not appreciated – and I am grateful to the staff for this – there is nothing to stop a housing association setting up now. Of course, there is nothing in law that says competition is denied. The challenge would be providing and procuring the capital, and that is really the same problem with regard to any type of States' involvement with a mortgage scheme. It is the provision of capital.

Deputy Soulsby: But it is in the housing plan as well, but the focus ... as I said, we are not doing everything all at once. We cannot. You need to see the schedule that is ongoing. We literally have not got the people to do it, and we have got to focus on the ... We really are focusing on the supply side first, so that is why it is not being one of those things we are adding to the –

Deputy Fairclough: I suppose that is why the question has already been asked: is P&R committed to providing the resources to make sure that all of these work streams get done?

Deputy Soulsby: We are, but you cannot do everything at once. And I think that is the trouble. The States likes to think it can do everything at once and says we have not got the resources. But really we are going to blow a gasket anytime soon by the number of things that are being expected to be done.

I am sure we will get onto cost of public services and savings committee. In there, it is through that exercise ... absolutely amazed by the number of work streams already ongoing that are related to a lot of the ideas that have come through from the public and others. And really there are a lot of people running around trying to do a lot, and it means that stuff cannot get finished because they are going from pillar to post, one thing to another. So the idea is to focus and we are focusing on the supply side first.

Deputy Gollop: Heidi did a lot of work years ago, I was on the tail end of it, of looking at alternative models for mortgages and things, but it is a very large work stream. And the risk, and why they disappeared from the good old days of Advisory & Finance when we had them, was because if they are not done properly then they just funnel the market and make it more and more expensive. So there are considerations there.

And you mentioned Lisa, who is behind us because of other things; Lisa serves at least three, if not four Committees. We have a shortage of skilled policy workers and that in itself is a resource. And back to the housing associations, one area I would like to see is perhaps a new entrant in the field, not just with key worker housing, which is done, but maybe ... *[Inaudible]* that would perhaps combine an element of care and an element of housing. And coming out of that will be freeing up other property. So it would have more than one benefit. But again, it is not going to be achieved this year.

Deputy Murray: To be fair, Simon, I think we need to be careful we do not get carried away here. The States can put any number of policies in place to try to help, and we are doing. You are still talking about the capacity of the labour market to be able to build, and you also have to accept that a contractor or a developer or a builder has to make money from whatever they build.

Obviously, we can make it easier for people to get on the ladder by providing some assistance financially, whatever it is going to be, but the problem really at the moment is that capacity in the marketplace is stretched. And I think, just recently, in fact, we saw one of the local developers

basically suggesting why would they want to take risks at this point when the market is so red hot, where they have got guaranteed work and so forth?

490 So even though we can do our best to try to make it possible for people to purchase or to buy or to rent, we know we have not got enough actual properties in all those categories, you still actually have to have a market that is able, a labour market, to fulfil. And we cannot push that harder because, unfortunately, as we all know, since Brexit, our normal roots of bringing in additional capacity to help us, Polish builders, whatever it might be, is now denied us.

495 So we cannot get fleets of builders coming in to be able to add to the current availability of local labour to build the additional capacity that we want. So it is a two-way street, unfortunately. Obviously, the States is doing as best it can.

Deputy Soulsby: I think it goes back to more affordable housing, more one- to two-bedroom
500 homes that people can more readily afford; even though, as Lyndon quite rightly said, it is still really expensive to build here and the construction costs are considerably more than the UK.

Deputy Fairclough: Thank you.

I am keen to move on because we do have a lot of ground to cover. I would like to move on to
505 investments. And the returns on the States' investments, undeniably, play a significant role in the overall health of the States' financial position and as such the Scrutiny Management Committee is launching a full review.

However, regarding last year's performance, we note that the investment return was
510 £34.2 million from invested reserves. Deputy Trott, as someone with considerable experience of investments and money markets generally, can you inform us what percentage rate the entire investment portfolio returned during 2022 and 2023, and how this compares to appropriate market benchmarks or other jurisdictions?

Deputy Trott: I am not sure whether I have that particular information to hand. Just bear with
515 me a moment. Can we determine that from the schedule? I am not sure we can. *(Interjection)*

Okay, thank you. So I do not have the information for 2022 in front of me, Simon, which was a particularly challenging year, as you know. But for 2023, it was 7.2%.

I have only been on the States' Investment Board as an observer since really the start of this year. I got this job, as you know, mid-December. And during that period, I have learned a few things that
520 I was not aware of before, including the fact that there was a very material restructuring of the portfolio during 2023, which saw some disinvestment from certain asset types, and a re-priority and reprofiling of others.

I know that there are some out there who think that the change in the component parts of the
525 portfolio impacted negatively on performance. I think that it is difficult to prove that either way. But what we do know, and I have used this in the States so I will not be afraid to use it here, is that one particular index, the MSCI, returned over double of what this portfolio returned. But that is not in itself a fair comparator.

Those who have been members of the States' Investment Board longer than I – well I am not
530 actually a member, I am an observer; that is an important distinction – will tell you that they think that the performance would not have been as good as 7.2% in 2023 under the previous portfolio make-up. I have no way of proving or denying that because I have not got the data in front of me. So that is about as good an answer as I can give you.

Deputy Fairclough: How confident are you following the restructuring that you can return to
535 higher levels of return?

Deputy Trott: Well, on the grounds that the benchmarks are a premium – is it to RPI or CPI?
(Interjection) CPI – it is a CPI-plus mechanism, and on the grounds that inflation is falling, it is

540 possible that in percentage terms the performance would be less than 7.2% next year. But what makes that question so difficult is so many different factors can affect that.

For instance, if there was a very rapid reduction or focus on monetary policy which saw interest rates fall very rapidly around the world, then I would expect equity markets to perform very strongly on the back of that and the performance could easily be well into double digits, notwithstanding that the portfolio is very varied. So it is very difficult, but I can see why some observers believe that performance is not as good as they would have wished it to be. But I think in line with the criteria set, it was reasonable.

Deputy Fairclough: I understand that the move into private equity under the new advisers means a reduction in available liquidity of assets. Do you consider that to be a potential issue?

550 **Deputy Trott:** Well, with a portfolio of this nature, you can create liquidity quite quickly, particularly those that are invested in bonds where liquidity exists in those particular markets. You can turn those things into cash in very quick order. So, no, I do not. I need to make clear that while I have got some significant commercial interests in people who are in a business that has some genuine experts working for them, I am not actually qualified to give investment advice. So the language that I am using is as an interested observer, rather than anyone who is willing or able to give the sort of advice that maybe if Cambridge Associates, for instance, the advisers, were in front of you today, they would give a much more technical explanation.

560 **Deputy Soulsby:** But it is always about a balance. A portfolio will have private equity, but it will also have other investments to compensate for that. And the advisers are meant to follow the current strategy set by the previous P&R and that does include making sure that we have got that balance between liquidity and knowing that we are in areas where we will get a really good return.

565 **Deputy Fairclough:** That is the sort of area that the Scrutiny review will probably have a look into. If I could just finish this section with a more general question, and I appreciate it is relatively early days in terms of your sitting on that board. Do you have any concerns regarding the effectiveness and functioning of the States' Investment Board?

570 **Deputy Trott:** Well, while I am buying myself a little bit of thinking time, the amount of cash in the portfolio at the end of last year was just over £50 million. So there is always some sort of built-in liquidity, notwithstanding the answer I gave earlier.

I do not wish this to sound in any way as if I have any issues with the current Members of the States' Investment Board. I do not. But I do have a strong view that we do not pay them enough. We have found it surprisingly difficult to recruit what I would regard as absolute top drawer candidates – we have had some good candidates, I hasten to add – apply. But I cannot help thinking that paying the sorts of fees that we are, which I think is about £8,000 a year or thereabouts, when a normal director sitting on an unlisted investment vehicle, looking after assets of £3 billion would expect to earn somewhere between £20,000 and £50,000, I do think it kind of puts off some of the better candidates.

580 But I also think that it sends out the wrong message, because it almost gives the impression that this is not a really important oversight role, because it is. Whilst the investment advisers are of the highest national and international reputation, being able to challenge them effectively is a really important part of this role. And I do not know, but I would like to pay them a market rate and see what, if any, effect that had on the type of people that were prepared to undertake this role.

Deputy Fairclough: Thank you.

590 **Deputy Trott:** It is very much considered a public service at the moment, and I am not necessarily certain that is the right way forward.

Deputy Soulsby: I would not want to go back to where we just had politicians doing the oversight, which we had before. I know that there were those who did sit in that capacity who found it uncomfortable, especially if they did have no investment or financial background.

595 **The Chair:** Deputy Gabriel.

Deputy Gabriel: I would like to move onto the States' capital portfolio, and I would like to address some questions to the Head of the Public Service, Mr de Garis. In last month's States' Meeting, in response to a question from Deputy St Pier, Deputy Trott stated that you will be conducting an independent review into the governance of major capital projects. And then we saw a follow-up article in *The Bailiwick Express*, and that revealed or was reported that the review will cost less than £5,000, and it is being undertaken by an independent external reviewer. Could you tell me who that independent external reviewer is, or will be, and how they are qualified for that position?

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Mr de Garis: Certainly. The reviewer is Mr Martin Thornton who is a former leading lawyer locally with a lot of local contracts law experience and a lot of experience of very large capital projects that have been commissioned and undertaken by the States of Guernsey over many previous years.

610 He has a good working knowledge of our processes and procedures and that is actually why I selected him to look at it from a completely objective perspective. Because if you look at our governance processes, they follow very closely the technical models of PRINCE methodology and of the traditional UK government approach. But there is clearly something wrong, in that we have all of this process, but I am concerned that, despite that, it is not effective. So what he is looking at is how can we make this more effective.

615 I must also say that, irrespective of whatever governance models one has in place, if there are human failings from time to time, there will always be those. Obviously, the purpose of those governance models is to mitigate that as much as you possibly can. But I have worked with Mr Thornton before on a number of other issues and he is excellent. He is very thorough. He is completely independent, and he anticipates providing the Committee with an interim update on his findings by the end of this calendar month.

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Deputy Gabriel: So if you ask the man in the street and you put lawyer and £5,000 together, that does not seem to buy you much of his time. So how in-depth will the review be?

625 **Mr de Garis:** It is going to be very much in-depth.

Mr Thornton is a very special person indeed in terms of he feels quite genuinely a great sense of wanting to give back to the community and he is not charging commercial rates and he wants to make a contribution to the community. And that is his motivation, to make a difference for the betterment of the Government.

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Deputy Gabriel: Okay. So clearly you are going to have some terms of reference for the review. Will they be published, made public?

635 **Mr de Garis:** I have not discussed that with Committee. The Committee has seen them and agreed them, but I see no reason why the Committee would not wish those to be published in due course.

Deputy Gabriel: Okay. That is encouraging.
Thank you.

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Deputy Fairclough: Who set the terms of reference, incidentally, Mr de Garis?

645 **Mr de Garis:** They were first penned by myself and then presented to the Committee for any additional comments they had. I actually modified them following the States' debate a couple of weeks ago, because the focus that I had originally set was placed in one particular area, but we used the States' debate and the frustrations that we heard Members raising to actually expand them, so that it would meet political expectations.

650 **Deputy Fairclough:** Can you please explain the role of P&R in respect of capital projects for the proposed phase two hospital development?

655 **Mr de Garis:** Well, that is a very important question and a point that does need better understanding by many. P&R support investment decisions and that is it. The mandate for this project sits fully with the Committee for Health & Social Care. So P&R supports the Principal Committees, takes forward their capital projects, but the role of P&R is one to support the investment-making decision process.

660 **Deputy Fairclough:** Okay. So in terms of ultimate responsibility for a capital project, who holds that responsibility?

Mr de Garis: That, in my view, rests with the Senior Responsible Officer within the Principal Committee area, and it is the politicians of that Principal Committee that should hold that Senior Responsible Officer to account.

665 **Deputy Fairclough:** And which political member of the Committee is responsible for this area, or is it something that gets reported to the wider Committee?

670 **Deputy Murray:** As far as the Hospital is concerned at the moment, because there are two projects complementing, you have obviously the EPR as well, which is fundamental to the success of the business case for OHM2 because it will improve productivity and so on and so forth and that has been built into it.

Because we now have the portfolio board set up for these, to try to find a sustainable model, obviously, for health, what we have come to the conclusion is that really P&R should have a responsibility on either of those. So Deputy Soulsby is actually our kind of oversight on the OHM2, and I am on the EPR. And we meet with, certainly, the rest of the board, of which Mark is actually a member, on a fortnightly basis to try to monitor exactly where we have got.

680 What I would say in terms of your original question, Simon, is that there have been different approaches. So from a TEP perspective, which I am much more familiar with, we decided from the outset that we would invite a Member of P&R onto the TEP board, really, just to keep them abreast of where obviously the evolution of the project was going. And it is no criticism, but that is not the approach that was taken with the HSC. Both have got merit, but we took the view that it would probably be best to keep P&R abreast of what was going on, rather than to come back to them periodically.

685 **Deputy Soulsby:** I think it is a bit different because the TEP is the Transformation programme in total. HSC did have that. In fact, the head of the Transformation who ran that at HSC when I was there is a person who got nabbed by Education and is now running the education transformation. I do not know what happened to that, but I have heard people say, 'You need a politician on the project board of the capital project board.' Well, unless they are a structural engineer or they have got any relevant right professional skill, even an accountant might be helpful looking at the numbers – **(Deputy Trott:** Not in my experience!) No. Well but they will actually find out where the numbers might have been missing. But the real issue here, it has been a bit of a red herring who should sit on a board. I do not think they need to be on the capital project board.

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695 What I do think, and it is one of the areas in this that is an issue, is not having a chief officer at HSC. I think that the ultimate person who has responsibility on what is a huge Committee, I said it at the time when they changed everything last term, and I still stand by it and I think this has shown it, how getting rid of the chief officer at HSC has been a contributory factor because that person will be overall responsible for that Committee and directly answerable and responsible to that Committee and the SRO should be somebody who would be reporting directly to that person.

700 So I think that is an issue, but I also think the other main big issue on this was phase two never went back to the States. The original intention back when the policy letter was brought to the States, phase one was in detail, phase two we always said that was totally indicative. We could have no real idea because it was going to be five, six years hence.

705 And, certainly, you see everything change in terms of cost to build, everything since COVID, it is changing. But I do think that if a policy letter had been written to come back to the States last year the issue that has arisen would well have been identified. Because somebody said, RIBA stage two, RIBA stage three, somebody would say, 'Oh, no, we are not looking at stage three, our numbers are stage two.' They would join all the dots because there is nothing more than having a policy letter that focuses the mind about what is actually going on.

710 For me, those are the key points. I do not think any politician, unless they are a mind reader, would have been able to see into somebody's head to know what they had not told them.

Deputy Fairclough: I do not want to pre-empt the review that is going to happen, but should a senior member of staff in P&R not have known what was going on? Surely someone must have requested an update on progress from February 2023 to October 2023. On the one hand, we are being told that this is the failing of two or three individuals. On the other hand, there is a very different view that this is a structural failing of ... *[Inaudible]* the project boards, etc. are set up.

720 **Deputy Murray:** I think it was a couple of contributory things here that actually, unfortunately, came together and exacerbated the damage. And the first was that the original SRO actually left quite early in the project, and that of course left a gap and almost immediately afterwards because the previous P&R decided that they would hold all of the capital projects until we had done some work to try to prioritise them, it actually was taken as 'just stop'.

725 So the meetings that would ordinarily be happening on a regular basis, there was an SRO missing at that stage who had not been replaced. It was not until, I think it was, May or something actually that came into place. But the financial implications were not being monitored even though it was really just phase one at that stage that was obviously on process.

730 There was a combination of factors that actually meant that there was an extended period of time before it was highlighted. Because once we brought in ... well HSC brought in the new SRO, they themselves had to become acquainted, obviously, with the backdrop. So it actually extended the period that ordinarily would not necessarily have been the case.

735 **Deputy Fairclough:** Okay. So it sounds like a combination of factors. (**Deputy Murray:** It would appear to be.) And, again, I want to hand over in a second, but will all of these areas be explored under the review and recommendations made?

Mr de Garis: Yes.

740 **The Chair:** Deputy Gabriel.

Deputy Gabriel: I have got another question around capital project and OHM2. We have heard that there is likely going to be a need for an increase. And if that is States approved for the tens of millions on OHM2 for the Hospital redevelopment, will the whole portfolio need to be reprioritised?

745 **Deputy Murray:** I think there is a question mark over whether we would have to borrow more money, if it was to the extent that, obviously, we are looking at this point in time, and that of course would have to go back to the States if that was the case. I think it will go back to the States whatever happens, to be perfectly honest, once we have done, or HSC have done the necessary groundwork to find out where we are. And it could take six months.

750 They have been given three to six months, or they have asked for that, to be able to do this work. So in that three to six months there will be a natural price increase, unfortunately, because that is the kind of inflation that we are with dealing with at the moment. But one of the mitigating opportunities may be, and it is far too early to say, whether the scope can be changed to try to keep it within the original budget frame that we were looking at.

755 I do not think that is off the table. I think they are being very open in saying we will look at every possibility. It has become clearly far more than just a value engineering situation because there is no way that value engineering would knock that sort of money off the project. So it may possibly be a question of scope or it may be a question of extending the time over which obviously we are able to fund it.

760 **Deputy Soulsby:** Originally it was three phases. And I think it was your Scrutiny hearing with HSC last year, I think it is on public record. I thought because they changed the phases from three to two, it was a different project but as a result of that, and I think it was important, it is just a forum where we need to think it through and understand is the approach right? And it might well be that that rephrasing needs to happen again.

The Chair: Yes, but of course originally phases two and three combined were less than £50 million and we are now talking over £150 million.

770 **Deputy Soulsby:** I get that, but at the same time prices have gone up considerably. You know how –

The Chair: Not three times in five years.

775 **Deputy Soulsby:** It depends on what projects they are and some things were indicative.

But, yes, I agree. It needs to be looked at in terms of has there been mission creep. Some things that are in now I wonder should they be the priority or not? And I think that is clear. I have heard some stories about things that were included that you would question. I think HSC themselves have knocked back some areas.

780 The one thing that astounds me, and perhaps this is something we will pick up as part of this review, is the proportion of non-construction costs in these huge projects. See how many millions have been spent on education without any spades in the ground. Yes, there have been spades in the ground at the Hospital, but still there are millions that get spent way before anything is actually built.

785 It is those non-construction consultant costs that we seem to need and the time that it takes to bring those people on board that really adds to the cost of these projects nowadays. It is not actually the construction of the thing, that is more straightforward. It is understanding that you have got all these property managers, architects, people that support the architects. It is massive. Absolutely.

790 **Deputy Murray:** There is a portfolio project team with all of these larger projects comprising primarily internal resources but also, where necessary, specialists external, and they certainly are not cheap. But in terms of good governance of some of these projects, you do need to have relative skills in there, challenging, and of course, on top of that we have external consultants for assurance purposes of quantity surveyors who actually obviously are giving us an indication.

795 To be quite fair, it is not until we get to tender process that we know that all of the preparatory work that we have done is going to come in anywhere near the kind of budget that has been set

for it. So to be fair to HSC, we have not lost £30 million at this stage because we did not spend it. But we would, potentially, obviously, if the project came to fruition under those circumstances; but it could be worse than that by the time you get to tender. So we need to be aware of that.

800 But this inflation has been huge, absolutely huge, and there is no question that we do not have enough sufficient project management skills on board for the portfolio that we have actually got to deal with. We are developing that, and we will get better prices because if you have to go to the market, it is very expensive to actually bring these kinds of skills in. They are very worthwhile but in the absence of them, if you have not got them, you have got no choice. So that does push the cost up quite considerably.

The Chair: Okay. One more question and then we will take a short break.

810 **Deputy Gabriel:** It leads me on to my next question. So on the subject of project costs in the portfolio, specifically Deputy Trott, is your Committee confident that the Alderney Airport project will still be delivered within the approved £24.1 million cost envelope?

Deputy Trott: No, it is not.

815 **Deputy Gabriel:** And so will it be coming back to the States, or will it be coming back at all?

820 **Deputy Trott:** Well, this, obviously, is a matter for the States' Trading Supervisory Board, who are leading on this. I have made my position clear, Adrian, that I think this is a matter that should come back to the States. But the States' Trading Supervisory Board are undergoing discussions at this time. So I think it would be wrong to say any more.

But I will add something to the previous question you asked. We have been made aware that there was some potential over-specification on the Hospital, by someone who knows what they are talking about. And as a consequence, we do think that there will be some benefit from the value engineering exercises being undertaken. To what extent, no one can tell.

825 Whether it remains affordable or not depends on a number of things, including, of course, the performance of the economy, the performance of the investment portfolio, and so on and so on. So it is one of those questions that is entirely appropriate to ask, but almost impossible to give an accurate answer to.

830 **Deputy Murray:** And compared to the quantity of the loan, very much might reflect a review of the full business case because, obviously, that was developed with the particular parameters in mind. If those parameters change considerably then one may have to go back to the business case to see whether or not we can actually sustain that approach in the way that it is.

835 So, for example, on the OHM2, quite a lot of hope has been put behind developing the private sector or capability of the private sector to be able to utilise that, maybe bringing people in from the UK or preventing people having to go to the UK. But, obviously, if the cost of providing that changes, if those parameters change, maybe you have to reassess exactly the value of that part of the portfolio.

840 **The Chair:** Okay. We will take a short break now, thank you, and reconvene sharp at quarter to four.

*The Committee adjourned at 3.38 p.m.
and resumed at 3.45 p.m.*

The Chair: Okay, thank you.

845 So the financial position now. Deputy Trott, you recently stated that if you had your way, you would test the appetite of the States for a 2 pence Income Tax increase. If you fail to persuade your Committee that this is the solution to the deficit, do you instead intend to bring that proposal forward personally by means of an amendment or requête?

850 **Deputy Trott:** No. I would not go against my Committee's wishes. And also, of course, it depends, not exclusively but primarily, on what the economic conditions look like at the time leading up to the Budget, and indeed what the forecast futures look like. But I think reference to 2% on the basic rate of personal Income Tax has been useful in a number of ways.

855 Not only has it continued to expand the narrative around the fact that we cannot live in a dream world, simply we are running a deficit, it remains a structural deficit, and it does need to be addressed, notwithstanding some very good news that we have had, both in terms of ETI performing better than we would have expected and of course the news around Pillar Two, which I think is pleasing for everybody.

860 But we had a structural deficit last year, 2023, that equates, not precisely but more or less, to an extra 2 pence or 2% on the basic rate of personal Income Tax would have eradicated that deficit pretty much, so we would have ended at a flat position. So it enables people to visualise the extent of the historical issues.

865 But to answer your question specifically, I would not do anything unilaterally, and it is quite right in my view that P&R has reached a decision on whether to bring that forward as a Budget proposal yet, because a lot can happen between now and when the Budget is finalised during the late summer.

The Chair: So you are saying that there is a possibility, at the very least, that that might be a proposal we could expect to see as part of the Budget?

870 **Deputy Trott:** I think it is a possibility, but it is by no means a probability, and I would not put it any stronger than a possibility.

The Chair: Okay, thank you.

875 And for at least a decade now, successive senior Committees have been warning of the pressing need to diversify the tax base away from personal Income Tax. Is that no longer a priority or do you consider that, ultimately, GST is unavoidable?

880 **Deputy Trott:** No, I do not think GST is unavoidable, and personally I have never been that bothered about the concentration that we have on ETI because I have said on a number of occasions that the tax that we raise from salaries has kept our focus on the employment market laser-like throughout my time in public office. Sixty-five per cent, I think, or thereabouts, comes from personal taxes, but it is an existing tax. It is an effective tax. It is a tax that people understand. There are lots of benefits, but the States has tested its appetite, this States, for a broad-based consumption tax on a number of occasions and has rejected it.

885 Of course we do not know what the next States would do. But let us say, for instance, this States did decide to raise the personal rate of Income Tax, it can always dial it back to where it is or lower, should a future States decide on a new form of tax like a Goods and Services Tax. So nothing is forever. It is important that we remain agile and nimble, and we change fiscal policy to reflect the conditions that are prevailing at the time. And the conditions at the moment are that this political
890 body will not approve a Goods and Services Tax and therefore it is not irresponsible to consider other options.

The Chair: You recently highlighted that eight out of 10 suggestions put forward to the Committee by the public last year revolved around raising taxes and charges, and you claimed that

895 this means that most people know that they are not taxed enough. Would you accept that an alternative interpretation might be that the survey was done in the wake of a very high-profile debate on GST and it was the fear of GST that made people suggest a variety of mostly minor ways of raising revenue, possibly even in ways that did not affect them personally?

900 **Deputy Trott:** Yes, think that is quite likely.

The point I was trying to make is that in terms of the proposals that came forward in terms of value, the focus, stuff that moved the dial, was very much on the tax raising and the fee raising side of it as opposed to material efficiencies that were identified by the community. But I take your point. Yes.

905 Personally, the conversations that I have are the majority, not all, of the community recognises that we are not raising enough income. Now lots of people think others should pay, of course, but I think most people fundamentally understand that the deficit is real, and it is not as a consequence of a huge amount of waste and inefficiency. I think we are a long way down that road on the journey and that is really the point I am trying to make. I think the community's attitudes and behaviours towards tax have changed in a more reasonable way as a consequence of the debates we have been
910 having over many years now.

The Chair: Okay, thank you.

Deputy Taylor.

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Deputy Taylor: Thank you.

So shortly after taking office, this P&R is in the fortunate position to receive an update on the anticipated income from the OECD Pillar Two tax regime, and that enabled the Committee to put forward proposals for funding the Guernsey Institute. Deputy Trott, you claimed that it was 'not unreasonable' to think that this revenue stream could yield £30 million to £40 million a year.

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So very briefly, for the benefit of those listening in, could you give an explanation of what Pillar Two taxes are? And within that explanation, could you explain, given we have already committed to spending the money, how confident you are that we will see those yields?

925 **Deputy Trott:** Okay. Well, Pillar Two is a global initiative that taxes businesses that have global revenues in excess of €750 million and we have some businesses in our Island that fall into that category, and therefore will be captured, caught by a global initiative, and that is important. So we will not be uncompetitive as a consequence of adopting Pillar Two.

People who work in treasury environments are naturally cautious and naturally prudent in the numbers that they come up with. And I think £30 million is a pretty good estimate of Pillar Two, where it will be from 2026. However, I am a natural optimist, and I am aware of some of the businesses within that net that are outperforming. They are already significantly more than that net and therefore, as a factor of that, will be paying more tax than I think it is currently predicted.

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So could I see that number higher? Yes. Do I think it will be much lower? No. You must take into account an optimism bias here, but I think that number could well be higher based on what I know with the exposure that I have to the financial services community in particular. So, yes, I am not losing any sleepless nights about that not materialising. A little bit like ETI, I think it will surprise us, at least I hope it will surprise us once that revenue stream becomes active.

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940 **The Chair:** When does that become active?

Deputy Trott: In 2026.

Deputy Soulsby: The change in forecast came from having more information, understanding what was happening in the international community and how it would pan out, the actual structure of it. I am looking at the treasurer here who has been involved in that, and very clearly it was the

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emerging situation that enabled a better idea about how that would impact us. And so we now think that we will get more, but that reflects a lot of the conservative view at the time that they did not have the information.

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Deputy Trott: They did not. And it is worth elaborating on that because I know that there are some who think, '*quelle surprise*, we have a new Policy & Resources Committee and suddenly we get that fantastic piece of good news.' The guidance notes changed during that interim period, i.e. during December, which enabled the staff at the revenue service who are experts in these matters to just scrutinise that guidance and, from that, come up with these forecasts, these predictions.

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So there was no funny business. It was a case of international standards, international decisions changed, and as a consequence some positive forecasts emerged.

Deputy Soulsby: Can I just pick up on what Deputy Taylor said about we would be spending that money before we got it? **(The Chair:** Some of it.) We are talking about 2026, when that will come in anyway. But we are also talking about a capital programme which spans several years and we want to see what is happening with the Hospital. It might be delayed on that, and these projects are five-, 10-year projects as well.

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The Chair: Yes, part of Pillar Two has been linked to the reason why we felt more confident to go ahead –

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Deputy Soulsby: Yes, because we are looking at the whole envelope, but it is different from saying we will be spending it right away, which we will not.

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The Chair: Okay.
Deputy Fairclough.

Deputy Fairclough: The latest Health & Social Care Committee revenue overspend of 1.8%, which equates to £3.9 million, is clearly a concern. Following on from previous large increases in health spending this term, is it your view that health spending is out of control?

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Deputy Murray: I do not think it is out of control. It is a reflection of the circumstances that we find ourselves in with a push coming from the demographic requirement for a whole variety or even quantum of people needing particular circumstances. But I think, as has been mentioned before, a lot of that drive is coming from the cost of agency workers and it is highlighted by HSC, certainly, to P&R, and we are very much aware of it. And that is not something at the moment that we can do much about. That is going in one direction at the moment and that is primarily a reflection on COVID, as was mentioned before in terms of the non-availability or people actually making the decision about how they will now move into or move out of the health provision.

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So it is a reflection of market forces, to some extent. However, having said that, health costs going forward is our biggest single challenge that we have to be able to accommodate the increase in costs that we know will happen.

We can predict that in terms of the numbers of people moving through that demographic profile, and that is a real challenge for us to deal with. And, consequently, looking at that and, again, the GWP, one of the reasons that we actually have established that particular portfolio is to find whatever models we might be able to use to mitigate that increasing cost of care.

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But, having said that, that will only be able to do that to a degree. What we are going to need, without a doubt, is far more money in the economy to be able to deal with that as far as what Government's revenues are looking like. And I hesitate to introduce it because nobody wants to talk too much about it, but SLAWS in its own right, is going to add tens of millions per year over and above what we have already allowed for in terms of long-term care.

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1000 That money has got to be found every year. We will hit that buffer actually at the end of this year because we are going to be, we think, at least 30 hospital beds or 30 care beds short and no place to put them. So, it is coming at us like a steam train, and I do not think the public have woken up to that fact at the moment because if we do not find extra revenue, and we will be as efficient as we can in terms of obviously trying to deal with that, the costs will start to grow vastly over where they currently are.

1005 **Deputy Fairclough:** I think we are hoping to come on to long-term care shortly, so I do not want to spend too much on that.

1010 **Deputy Gollop:** We were unanimous as a Committee from different perspectives that the problems Guernsey has had with the budgeting ... and we have done well with Pillar Two and so on, Deputy Trott is right to be optimistic, and things have been going generally well for the macro economy in the last few months. The problem is the demographic challenge in the long term.

1015 Not just long-term care, but the rising medical costs which affect all societies. And I think all of us, but we might have different input into this, know that we as a Committee, we as a States and we as a society with the public, need to have a conversation, a debate about renewing the Partnership of Purpose, the universal health offering, because the tax issues that Deputy Trott has just dealt with about what might happen and might not, I was party to one or two of those amendments. It is not that I thought rising Income Tax was a good idea, it is not in some respects, it does not help, but we have to do something to work around how we are going to finance medical health care and other costs.

1020 **Deputy Fairclough:** Deputy Gollop you are creeping into answering the next question I was going to ask.

1025 **Deputy Soulsby:** The question is sustainability. The point is, yes, the costs are going to go up. It is how we can mitigate them and we did have a plan. We do have a strategy. The States has a strategy, and I hate to be the one that is always the one that mentions it, the Partnership of Purpose. That was a 10-year plan to bring in a new sustainable model of health and care. And John is right. Isle of Man effectively looked at it and thought, yes, that is a good idea, made that into their model, and are now executing it.

1030 We have fallen behind on that, and we really need to pick up the pace on it and do it ourselves, which is what Deputy Murray has absolutely identified before I got back on the Committee as a key area of delivery, which is why it is in the Government Work Plan, it is Portfolio 2 on sustainable health and care services.

1035 We are working together now on seeing how we can develop that, how we can support HSC to make that happen. And one of the key areas – and I will come on to this in a minute – is the universal offer and looking at the whole governance model we have got at the moment.

And that is something that we are planning on helping to support HSC take forward. We have had discussions with them. In fact, we had an hour-and-a-half meeting on Tuesday where we covered that off. We really need to pick up the pace on those. We cannot let it drift any longer.

1040 It is something that now, while I am sat on P&R, I really am determined to help HSC make that happen because we cannot afford for things to go up in the way they are going. What we need to do is make sure we have got a model that is more sustainable and meets the needs of the community as best we can.

1045 **Deputy Gollop:** Deputy Trott, with his key facts, one point he has put across very eloquently many times is, contrary to popular belief, most residents and citizens of Guernsey get a very good deal for the tax they pay because they are receiving, in many cases, first class services – better than the UK in certain respects. And I need to renew my care passport, I think. But that was another idea to try to work out how much is the community prepared to pay? Is it being paid fairly? Is there a

1050 role for private insurance? Do we need to restructure our tax and insurance system to make it more competitive? And how can we bring in, I will not say more disciplines of the market, but reduce the rate of increase of health costs? And that might involve not just getting rid of agency staff and having a different model, but all those kinds of things.

1055 **Deputy Trott:** I think we ought to thank Deputy Fairclough for his patience getting to the next question. So, thank you, John.

Deputy Fairclough: Thank you, Deputy Trott.

1060 What I was trying to get to here is there are clearly factors outside of your control, and you have made that point very clearly. It is what we can control and what can be done by P&R, working with HSC to look at what is appropriate for the community moving forward in terms of a healthcare model. You have all –

Deputy Soulsby: We have got the model. We just need to start putting it in place.

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Deputy Fairclough: But why isn't that happening? We keep asking the question.

Deputy Murray: As Heidi has mentioned, we had quite a discussion with HSC over this, the universal offer, because we do have to identify what it is that we can provide under the current circumstances and what we might have to change in terms of charging or cushioning out, to a degree, providing obviously it gives us the benefit or not.

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What you have to probably recognise is the clue is in the title. A universal offer is something everybody gets whatever their circumstances are at this point in time. So if you add, for example, NICE drugs, which at the moment is coming out of that health reserve that we have had, but will not exist by 2026 when obviously the OHM2, presuming it goes forward, will swallow that up, you have got to take that out of general revenue. And at the moment, that is £5.5 million and that has got to be added to general revenue that we have to find from taxation or whatever circumstances.

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But the increasing requirement for NICE drugs is a reflection of the difficulties that we do have as an ageing population. Cancer, for example, is prevalent, or whatever. If that is a universal offer, rather than saying it is for a specific group of people, we have got to know that everybody can get a level. Now if you actually increase the cost at the top by that kind of extent, the only way you can balance the books is to reduce what is actually at the bottom or start charging for some of those things at the bottom.

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And that is the circumstance, and these are really very difficult, contentious issues for us to deal with. But before we even get to that, we need the granularity of understanding of what each of the huge portfolio of services that we provide actually reflects, both in cost, both in people, and how many people are benefiting from that. And that is the work that portfolio team has now embarked on.

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Deputy Soulsby: Can I just add to where you are talking about health? I think part of the problem we have, and it crystallised my head the other day thinking about this, is we look at health and think that is a problem for Health & Social Care. Health & Social Care are the ones that are effectively picking up the pieces all the time and dealing with the problems and the illnesses that have come along. Health and social care is an all-Government issue.

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It is fundamental to the cost of Government. All the issues that we have in terms of housing, the problems in environment even, and how we support the poorest and the opportunities we give people, they all have a knock-on effect on health, and that health effect then costs Health & Social Care.

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So the more we can invest in the areas outside health that prevent illness, that intervene early, is where we will really get a sustainable health service, and that is what I try and bash on about. Health & Social Care have to deal with all the problems, which is why I think Public Health should

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1105 be at the centre of Government and not stuck in a health committee, because their role is absolutely
fundamental to understanding the problems of the Island. The work they did on needs assessment –
I remember the over-50s needs assessment, which actually showed that it was the under-50s where
the real issues and tensions were. All the housing issues that we talk about now came out. That was
in 2018.

1110 **The Chair:** Can I come back to a point where Deputy Fairclough asked you why you think the
model or the strategy is not being progressed and your answer was, 'Well ...' Could you expand on
that?

Deputy Soulsby: It is multifaceted, I think. COVID of course came along and after that HSC were
having to deal with and picking up the pieces from having to do –

1115 **The Chair:** We are quite a few years down the line now from that.

1120 **Deputy Soulsby:** I get that. I have been the standard bearer for the new model and I do not
know whether things fell away a bit when we did not have the Committee that was behind it pushing
it forward. I think staff were taken away from that Committee, which meant they did not get the
support that they needed to actually put forward a sustainable health model. It did not give them –

The Chair: Does your Committee have confidence in the Committee *for* Health & Social Care?

1125 **Deputy Soulsby:** Well, I do not see where we would not. I think their problem is there is a lot
going on, and I think what we need to do ... this absolutely is an all-Government support of that
Committee and understanding what their issues are and helping them through it.
They have not had that previously, and I think what we are doing is trying to –

1130 **The Chair:** From the previous Policy & Resources, you mean?

1135 **Deputy Soulsby:** Well, I think that now ... and I am not going to talk about the previous
Committee at all, but I do think Bob, in particular, has identified it is a key aspect of the sustainability
of Government as a whole. It is not HSC, it is Government as a whole. I welcome that and that was
something that really encouraged me. So when they made that a key aspect of the Government
Work Plan, I think that is the way to go. We cannot just dump it on one Committee and expect them
to be able to sort it out, but I do think there are multifaceted reasons why that progress has not
been made. It frustrates me intensely, but I think now the States have said, 'Yes, we think that you
should be doing that, P&R,' and so I am grateful that we can.

1140 **Deputy Trott:** I want to just add two items to it. You asked, is health spending out of control. I
think the answer to that question is, no, it is not. There was an overspend and that is regrettable.
But bear in mind that Committee expenditure was £560.5 million last year, which represented an
aggregate underspend of nearly £12 million. So despite the setback with Health, overall, we were
£12 million better than we expected. And I think some credit must be given to the previous
1145 Committee for that.

1150 But there is no doubt that health has got a voracious appetite. Health inflation runs much higher
than standard inflation. And if you had posed the question, 'Does Health have the capacity to get
to a stage where it is out of control?' the answer to that question is an unreserved yes, for the
reasons that both Deputy Murray and Deputy Soulsby have highlighted, because the cost around
long-term care with us all living older is very material indeed and we need to address it.

Deputy Soulsby: And I have made clear, I think, not having a chief officer in that Committee has
had an impact. I think that having that overall direction that can work at that strategic level, we had

1155 that support, and it was alright for me when that all disappeared because I was on top of my brief,
but with a new Committee coming in, not having a chief officer – this is not undermining anybody
else who is working there because I know they are all really good – but having that chief officer role,
it absolutely makes a difference.

1160 And I am not saying every Committee needs that at all, but I do think having that strategic head
who is there working for the Committee at that time is really important.

The Chair: Will you be bringing that forward as part of the reshaping Government review then?

1165 **Deputy Soulsby:** You make a really good point there because I think the whole of that reshaping
Government has all gone off on a tangent on whether we should have executive Government or
Committee Government. But actually, it is about working in tandem with having that Civil Service
structure. We spent the whole of one term going through changing the Machinery of Government,
of what we did with politicians and how many we had. We did nothing on the Civil Service, and then
two years later into the new term everything was changed in the Civil Service, which took no account
1170 of where we were in terms of politically. Some of that might have worked, but particularly I think it
will have impacted Health.

Deputy Gollop: I agree with Heidi –

1175 **The Chair:** Sorry, John. Just one second. Could I ask Mr de Garis what his view would be of such
a structure with chief officers?

1180 **Mr de Garis:** I certainly can recognise the merit in a setting like Health & Social Care. And I do
understand that the concept has been under, and *is* under, active discussion with the group that
Deputy Murray now sits on, within Policy & Resources,

The Chair: Is that reshaping Government?

Mr de Garis: Yes, which I think is another –

1185 **The Chair:** We have got some questions on that, if we get to them.

Mr de Garis: Yes, so maybe –

1190 **The Chair:** Okay, thank you.

Deputy Murray: Sorry, can I just close out with your question on ... because I think the point
that Heidi has made is really quite relevant in terms of the impact on the economy of making health
as effective as we can.

1195 At the moment, because of the lack of housing for the increasing requirement that they have for
staff, agency or otherwise, what they are doing is bed blocking the whole Island because they have
got their staff in almost any piece of accommodation they can find right throughout the Island.

1200 And what that is doing is denying the opportunity for other elements of the economy to be able
to utilise that temporary space as and when they need it, and there is no let-up in that. At the
moment, obviously, by the end of this year, we have now currently got a dispensation to allow us
to occupy, short term, some of the tourism accommodation.

One may have to have that replaced again and extended again because we just do not have
anywhere to put them. So it is not just essential for the health of Islanders generally, it is actually
for the health of the economy because, basically, the health is invading areas of our ability to service
our economy and grow our economy, and, unfortunately, they do not have a choice.

1205 It is a contributing factor. So it is a really important issue, to deal with the whole health issue in
totality, basically. Just to be aware too that that is why the GWP requested for that sustainability
Committee, a portfolio, £500,000 over this year and £500,000 over the next year, to be able to put
1210 additional resource in. Because if we start pulling people out of Health to try to look at that
themselves, we have got to backfill. We have got to be able to find that. So there is the additional
resource, but obviously this is a major difficulty that we have actually got before us.

Deputy Fairclough: And I appreciate some of these questions are for Health, and there will be
an opportunity to ask those. I am well aware of that. We could spend the rest of this hearing just
on health alone, but I am keen to move on but actually pick up on the long-term care issue. Because
1215 last year P&R did a joint presentation with the Committee for Employment & Social Security to
States' Members on potential proposals for the sustainability of long-term care, as I am sure you
are aware.

Presumably, you are still working with ESS on this because, revisiting the timeline, the policy
letter was due to be debated on the 24th of this month. When can we now expect to see proposals
1220 for that?

Deputy Trott: Personally, I am not sure. There are differing views around the Policy & Resources
Committee as to how this should be progressed. Colleagues will speak for themselves, but there is
a view that this should not be a matter that is addressed unilaterally. It should be addressed as part
1225 of a suite of matters in order that the overall picture can be understood.

One thing I can tell you is that there is not appetite by majority – in fact I am not sure whether
it is by a majority or unanimously – to bring the principal private residence into the calculation, and
I think that has recently found its way into the media.

That is one area where there is a disagreement of views, a parting of views. But what I think most
of us have said is that we will consider any funding option, but we do not want to do that on a
unilateral basis. We want the full picture to be presented, and that requires a sense of co-ordination
that I think ESS in particular, would – I do not believe it is appropriate – rather bat on and get this
1230 position around long-term care dealt with separately. Heidi?

Deputy Soulsby: Yes, I agree with Lyndon here. I have got a real concern about just isolating
SLAWS and saying, 'Right now we are looking for another £35 million,' whatever it is. 'So how are
we going to raise it?' We had a whole year on the Tax Review. It was one reason why I was unhappy
with how the Tax Review was undertaken. It was looked at in isolation. We looked at general revenue
and proposed reform of Social Security contributions, but that did not include SLAWS. So they were
1240 going out saying we need an extra £80 million or £100 million, but nowhere did it say, 'Oh, yes, but
actually, when we have done this we are going to need another £35 million for SLAWS.'

The public was thinking what the heck is going on here? And that was a real concern for me. We
need to be open and transparent with the public and also work with the public on this. The way the
Tax Review was done was, 'Here are all of these ideas but just expect the best thing.' Well, we need
1245 to work with the community into coming up with what we think is the best option we can take.

We need to think about intergenerational fairness. It is all very well saying we are not going to
get people to take a part of their home, the cost of their home to pay for it. Well, that will mean
then everybody will say it is contributions, isn't it? But that is at the same time as we have brought
secondary pensions in. ESS are wanting to do Social Security reform on top of that and we are just
1250 not looking at it in the round.

For me, we have to look at who is going to be impacted by what, when? And I think looking at
SLAWS in isolation will be an issue. We have seen it already. This is exactly what I said had happened.
If you do SLAWS independent like this, the whole talking about principal private residence and
taking your home away will happen, and that is exactly what has happened.

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Deputy Fairclough: But with the greatest of respect, until the Committee changed, this was on course to come back to the States this month. Public engagement activity was scheduled in for November and December of last year, and we were on course at least to have the debate.

1260 **Deputy Soulsby:** Absolutely.

Deputy Trott: The answer to your question is September at the earliest, but it may not be a matter to which the Committees find themselves in agreement. But September at the earliest.

1265 **Deputy Soulsby:** But I cannot see that –

Deputy Fairclough: It was described as deadlock by *The Guernsey Press*. Is that a fair reflection of the situation?

1270 **Deputy Gollop:** You have to realise what happened. Peter Ferbrache went and I took his role.

Deputy Trott: Until such time as a policy letter is published it is too early to say. But there is a fundamental difference of opinion, they cannot hide from that, both in terms of what should be in scope and indeed when the matter should be debated. Now one of the arguments that is being put forward is that the care homes need certainty, and they need it quickly. Personally, I think that is a strong argument because funding models depend on policy direction in this particular environment.

1275 But it is also very easy to see how important it is to present the big picture. I try to present these numbers in a simple way, but in doing so I oversimplify them in order to ensure that our community can get a broad picture of what we ... the way I do that, for instance, you know, is I said the deficit for last year represents about 2% on the personal rate of Income Tax. But it is not quite right, but that only looks at the legacy issues. The real challenges are the challenges that we face, particularly around long-term care.

1280 But that is not the only challenge we face. So, if you look at these things in isolation, you have got much more chance of piling on tax pressure, without people fully understanding across the board, where and why those pressures have emerged in the way that they have.

1285 **Deputy Soulsby:** One of my concerns is leaving it ... it is late. We are this far into this term. The States could not make a decision a year ago, which is two years towards the end of this term; whether this States can make the right decision at this stage, and make a decision at all by the end of this term on this particular aspect I think is questionable.

The States has already said to P&R that it has to come back in either June or September 2026, depending on which Proposition you look at, to look at everything in the round anyway. So for me, it is about that whole piece about informing the public, talking to the public, working together, whether it is citizens' assemblies, I do not know.

1295 But certainly working with the public and speaking with them, not *to* them. And I think that is my problem in this consultation: that it will go out and say, 'These are the problems with SLAWS.' But it is all connected. Health is connected from one aspect to another, and I think that is what we need to look at, have that grown-up conversation.

1300 **Deputy Gollop:** But I wanted the consultation to go out. I was just unhappy with the economic model, perhaps. You see I was a rebel, a bit of a dissenter on ESS because I was not entirely convinced that what the Committee as a majority were putting forward was entirely palatable. But I was informed that there would be options in the report that the States' Members would read and deliberate on and maybe amend or choose.

1305 In those days, Deputy Fairclough was quite correct, Deputy Ferbrache was the representative on SLAWS. When we had the change, I kind of took on that role. But I am aware that there are differences across Policy & Resources. We have lost a lot of time because of the unsettled nature

of last year's politics. And I do concur that really the appetite for paying more should have been embraced within an overall context of not just the universal health service, but also the GST, for example. It might have made the GST debate different, but that is another topic.

The Chair: Okay, can we move onto the next question?

Deputy Taylor: Yes, moving on. So in the Funding & Investment Plan, it was agreed as part of the core tax measures that £10 million would be raised from transport taxes and £5 million from other corporate entities, and that is outside of the Pillar Two income. So these two measures represent a worthwhile contribution to eliminating the deficit. So when do you expect to bring proposals forward to the States?

Deputy Murray: The transport side also involves E&I, and we have had a couple of meetings: we have had one with the last P&R; we have had one more recently. Obviously, we are trying to agree what that could look like in terms of options, but it is something that we have to work together to bring forward. There are different ways of cutting it, and obviously we have got to find the best possible way or the most effective way that will raise the sort of money that we actually do require. Clearly, anything to do with transport, whether it is parking or fees that have to be annually renewed, they are going to be controversial. Peter Roffey has said on a number of occasions, 'Good luck with that,' because these are the issues that have actually come up before. And so, consequently, any increase is obviously going to be a challenge for us to bring across, but we have got to get to something that is actually acceptable to all parties that can start to generate the extra revenue that clearly will start to take a bit of a bite out of that difficulty that we have currently got.

We have had a meeting, I do not know, about two months ago, I think, on that. Officers are still reviewing the opportunities for that. We do not yet have a date as to when that might come forward.

The Chair: Right. Reshaping Government. Priority 4 of the Government Work Plan concerns reshaping Government, and this was envisaged in the 2021 policy letter as largely revolving around the public service transformation and how the public service is organised. What plans will be brought forward in this document to achieve public service transformation?

Deputy Murray: I have been probably the most involved recently on this. John will be taking over from me on that, and actually already has, and Heidi preceded me on that. So we have all got a little bit of that puzzle at this stage. Of course John Le Tocq, also, who is not here, has now actually been the regular permanent Member throughout the entire period at this stage.

I think the challenge that we found here ... there is actually a proposal that has come forward for endorsement or at least to take to the States, which we have not yet necessarily signed off on. It would be fair to say that it is not revolutionary and I think that was intentional because by the time that all of the preparatory work had been done to look at what options we might have and because there were some Members come and gone, and there clearly was dissent in that Committee, without a doubt there were some polarised views, so you are looking really at the lowest common denominator that you can find agreement on to actually bring something back.

Consequently, what is in train at this point in time is something akin to looking at the Policy Council approach we used to have, but with changes. And also as a consequence, the role of the Chief Minister, Treasury and so forth is part of how that would work with that. The attention there really is because one of the major challenges that we clearly are all aware of is we do not have a forum for strategy development. We do not. It comes from Committees up. And then, obviously, what you have got is a bun fight as to who gets the priority as a consequence of that.

That is not the way to do Government. It cannot be. But we do not have a forum that allows that. P&R have the ability to fund development, but actually any Committee is free to come forward with whatever they do, and we have limited powers in terms of how we can influence that other than maybe not support the financial side of things.

1360 So what we have come up with, as far as I can recall, is, yes, the other members of that Policy Council would be the Presidents of the current Committees, more or less. There were some changes that were suggested where some of those areas could actually be looked at in terms of commissioned basis.

1365 So, for example, what was being explored was sport could be a commissioned service rather than a requirement for Education, Sport, & Culture at this point in time. So those kinds of changes could be looked at. There was also the suggestion that, actually, what we might be able to do is to look at whether or not we could reduce to a degree the number of States' Members that we have, but not to a considerable degree. And we also looked at what the Alderney representation should look like in terms of their contribution to what we actually do.

1370 So those are some of the areas, but what we then recognised of course, and it has been mentioned before, is the Civil Service needed to reflect any change that we make in that, and that was still being worked through.

1375 **The Chair:** Yes, I think that that plays very much to the question I am trying to ask here because it seems to me, from the limited amount of information that is filtered out to those not otherwise involved in it, that what was apparently envisaged originally to be something, which was much more about the actual public sector staff rather than the political level, was where the focus was; and there was a sort of a small side work stream attached on about Machinery of Government, and it appears to have reversed. It appears to be all about how many Deputies we have got, whether we are going to call them a Policy Council, and the other matters of the States.

1380 It seems to have had a mission creep away from the staff level and towards the political level. So I find that quite interesting. I do not know if you have got any comment on that, but I suppose my other question is when the policy letter comes will any of the proposals be for taking effect in 2025, in particular that any reduction in the number of States' Members?

1385 **Deputy Murray:** I do not think it would be feasible for that to happen. I think that would be too short a time frame for us to make any change of any real description.

1390 **The Chair:** So on either side of the equation, whether it is at staff level, notwithstanding we have already had a very interesting point about chief officers? (**Deputy Murray:** Indeed.) And it is going to be a green paper, is it?

1395 **Deputy Murray:** We do not know. That was one of the options that we might have so that we have a free debate about this. I think it is unlikely that P&R as a group ... or maybe possibly by a majority would actually support something, but not unanimously. There are different views around the table on that, which is challenging.

1400 **The Chair:** Obviously, the key question surrounding a green paper is the ability for it to be amended or not and is that something that is in your thinking?

1405 **Deputy Murray:** Indeed. We are also aware that it might be preferable to have something that could be amended rather than a requête that might come as a consequence. So, yes, these are definitely areas that we are concerned about at the moment. But I think in terms of the point that you make, what we have got to be careful of here is that the political representation and its support mechanism are working together.

1410 Now perhaps the original drive was to try to get the Civil Service to reflect. But if there is going to be a change in the way that we approach it from a political perspective, then obviously that would need to reflect that as well. But I have to say that I think the Civil Service involvement has become a secondary issue. The focus clearly has been –

The Chair: What happened to –?

1415 **Deputy Murray:** I can only speak as I find. Obviously, Heidi has got a piece in that puzzle at this point in time, John Le Tocq has been there throughout; but I think a lot of research was done initially on other models in other places to see what we might perhaps be able to look at. That took up a period of time. I then took over when Heidi stood down for a period of time. At that stage, John Le Tocq took over as, basically, the chairman of the group. John, obviously, has got considerable requirements in his External Affairs relationship.

1420 So there was a bit of a hiatus and then I think people realised that actually time was getting on much quicker than we had realised and would want. So it was what can we achieve within the time frame realistically and not try to come back too controversially, where clearly there would be a huge challenge, potentially back. So I think that is what we have got to.

1425 **Deputy Gollop:** I agree with everything Bob said. GPEG's contribution is quite interesting but, again, it is late at the party for this term. And I agreed with the broad thrust of what is being presented, although there are items I might disagree with. But I was on SACC before Deputy Burford came, Deputy Fairclough too, and we had a sort of second-hand awareness of this because we had updates every month or two on how it was going, but we knew that there were vast differences of opinion.

1430 The mission creep is an excellent point because I would have preferred the reshaping of Government – I do not like the word machinery really, the transformation – to have focused more on the functions. Have we got it right with mixing Environment and Infrastructure; do we need a transport department; do we need a culture and sports commission/department; do we need housing separate; do we want ministers back? And I would probably say yes to that. Those are the questions that interest me more than some of the material in the report.

1435 **Deputy Soulsby:** It was a painful experience when I was on there. It did get sidetracked, and trying to find any way forward was quite difficult when I was on there. But it was very much thinking where are the issues, and how do we solve them? And that is how it started. And then it has clearly gone off to something which I think we are missing the fundamental areas.

1440 But it should be evolutionary, not revolutionary. I do not support what is called Executive Government. I think a lot of those who do only see one side of the equation, giving Members of the Government more power rather than the scrutiny function where we are at the moment!

1445 **The Chair:** Mr de Garis, I think you wanted to come in, did you?

1450 **Mr de Garis:** I did, actually. I am just concerned that, especially to everybody listening in, they are getting the wrong impression. The terms of reference for this piece of work were to look at the structure of Government and then make sure that the Civil Service or the Public Service was shaped to support whatever that decision was. (**Deputy Soulsby:** Exactly.) So it was not that the primary focus was on restructuring the Civil Service, it was actually wanting to make sure the Civil Service would be responsive to whatever that shape was.

Deputy Soulsby: But to reference it –

1455 **Deputy Gollop:** And I would also make a point that SACC are encouraging potential candidates for the next election to come forward and that is great. But I think one of the aims of this work stream is actually to encourage the most able, competent, diverse myriad of people. And I think that is also part of it so that we can increase meaningful participation and the quality of our politics and behaviours.

1460 **Deputy Soulsby:** It started because the final policy letter that ended up resulting in the new Machinery of Government, it said it should be reviewed at about this time. So it is exactly what we were following up. It was not any attempt to bring in a whole new structure and adding new policy

1465 councils or anything. But looking at things, say, housing; should we have a housing committee now, given all the issues we have got? And we do not. And that has really caused an issue.

The Chair: Deputy Fairclough.

1470 **Deputy Fairclough:** We spoke about mission creep. I think we have crept over the time a bit here –

Deputy Trott: What we think is going to happen, we think the subcommittee is going to propose to P&R that we bring a States' report forward that proposes the instigation of a special investigations committee next time around with a particular focus on the Machinery of Government. So that sounds like it is. It is an attempt to kick the can down the road into the next Assembly.

The Chair: I am glad you said that because I was going to mention that....

1480 **Deputy Trott:** I know you would have. I enjoyed beating you to it!
But the point that has been made is that there has been a lack of resources, which has made it a challenge, but also the component parts of the Committee have changed on a number of occasions and have not always, I think, found it as easy to find meeting dates mutually convenient. So there have been lots of reasons why it has not progressed expeditiously, but they want a bigger, specific organ next time around. And it will be up to us to decide whether or not to support that initiative and bring it forward.

1485 **Deputy Fairclough:** Thank you. You speak about kicking a can down the road. How about kicking it down a tunnel?

1490 Jersey is investigating a tunnel to France and a presentation locally described how Guernsey could also get involved. What is P&R's view on a fixed link to Jersey? And do you intend to commit to a feasibility study to examine its potential?

1495 **Deputy Murray:** I think, regardless of the mechanics or even the costs, I do not think anybody has asked the Guernsey public whether they would want that proximity to, first, Jersey and then to mainland Europe, and that is a big issue. I do not think, frankly, that we could facilitate it financially or practically for the amount of space that we would need for that to happen. You would have to have a terminal and so forth if there is a train or whatever. That would take up a lot of space, but that is by the by.

1500 I think it is a major undertaking in terms of a project to do that, and nothing is impossible with the right amount of money, and we are not saying necessarily the States would have to fund it. But at the end of the day, taxpayers would actually have to pay for using it, so they would have to recover their costs anyway. Whatever that cost is going to be, somebody is going to end up paying the bill, and it would be Islanders partially paying for that.

1505 But more importantly, it changes our relationship with Europe. Now Jersey may be happy to have that proximity, and because they are closer to Europe or to France particularly, they may be quite happy to embrace that. But actually it changes all manner of things and I do not think that we have got a mandate from the public to change the way that we actually are currently structured, and I would like to see that first.

1510 **The Chair:** Okay. We are running slightly over. Thank you for your forbearance. So just one more question from Deputy Taylor, and then we will be wrapping up.

1515 **Deputy Taylor:** Apologies it is not the most exciting question to end on but we know from recent data released by the Revenue Service that a significant backlog exists for tax returns and their processing. So when do you envisage that this backlog will be fully addressed?

1520 **Deputy Soulsby:** I am happy to start on that. I agree it has not been great. A lot of people have been impacted by it, but from the figures we have had ... and we have been, since we took office, pushing to see what more can be done. But we do understand that actually inroads have been made. I think temporary staff have been brought in. Previous staff who have come out of retirement, I think, have supported it.

1525 There have also been issues with the change of IT systems that have impacted and trying to find staff. It is really difficult, the number of vacancies they have got. But from what we have heard, I have got a few stats here, from the 2020 return, which links 2022, and the release that went out the other day made it look like we were talking about 2019, but we were not, you are talking two years later because they relate to particular years. So for the 2020 return for 2022, last year it was 69% complete for personal returns, and now it is 79% complete. And corporate is 93% complete for the 2020 return; 2021 has gone from 49% last year to 61% for personal returns complete and 83% corporate.

1530 And now, as I think was said recently, for 2022, i.e. the most current, 36% of personal ones have been done, 16% of corporate, but corporates always come in later in a big whack. So they are getting through it, but there are problems with the staffing and a lot of queries. We have talked also about what would be the impact of bringing in the independent taxation because that is a concern, if it is a problem now what will it be like when that is brought in.

1535 We were advised it might not be such an issue, it might make things easier because of big problems that they tend to have, certainly with personal returns, if you have got a married couple, they might divorce and then get married, or things change and you are having effectively two returns on one. So it might actually simplify matters so more returns can actually be automatically approved, and I think more and more are happening like that. And it helps them if more and more people do it online. So I do not know if, Bethan, you want to add any more on your –

1540 **Ms Haines:** I think that is the answer. I think it is all about the new system and doing online returns.

1545 **The Chair:** .It is obviously a great concern to many people.

Deputy Soulsby: Absolutely. I know people. I have got family members who have been impacted as well. I totally understand that. But I do know the team are working as hard as they can to complete, but as you see they are getting on top of it. The majority are being done.

1550 **The Chair:** Okay. We have many more questions, but we do not have any more time. So I would just say thank you to all of our witnesses for attending and increasing public awareness and understanding of the work done by your Committee. I know that is something you are very keen on, Deputy Trott, with your fact today. (**Deputy Trott:** Indeed.)

1555 So at Scrutiny we undertake regular public hearings to increase public understanding in areas of Government and enhance openness and transparency; and with that in mind our next hearing will be on 2nd May in the afternoon at 3.30 p.m. with the Committee for Health & Social Care. The hearing is now closed.

Thank you.

The Committee adjourned at 4.40 p.m.