

PRESIDENT'S FOREWORD

Preparing the 2017 Budget in the context of the revenue shortfalls experienced in 2015 and anticipated in 2016 has been challenging. It is therefore particularly pleasing that it has been possible to produce not only a balanced budget, but one which is also simultaneously responsible, fair, progressive and realistic.

At its core, is the determination of the Policy & Resources Committee to eliminate the deficit in the short-term and return to surplus in the medium-term. We believe that this is **responsible**; but it is also essential to underpin the Policy & Resource Plan, because sustainable finances are critical to our ability to deliver public services in the long-term. Our modelling shows that delivery of savings, with very limited growth in revenues, will produce a modest budget surplus by 2019. This surplus would enable us to cope with the forecast growth in demand for services like health and social care; invest in new or improved services; or replenish our depleted reserves.

In order to achieve a balanced budget in 2017, the burden has been shared **fairly** between a reduction in public sector expenditure and revenue raising measures at a ratio of 2:1. The budget for public expenditure has reduced by some £10million; by comparison, it has been possible to hold tax and duty increases to half this level at £5.4million.

We are also recommending changes which make the tax system more **progressive** through: an above inflation increase in personal allowances which will particularly benefit those on low and middle incomes; a simultaneous withdrawal of income tax allowances for higher earners; and reform of the document duty regime which will reduce the cost of purchasing homes of less than £800,000.

The budget is also **realistic** and recognises the need to make additional funding available for health and social care services ahead of their reform and to increase funding for investment in our capital infrastructure.

The framework for Public Service Reform sets out the vision for future public services and the need to rethink the way they are delivered in order to meet the current and future needs of our community. The successful delivery of reform will deliver savings to fund the priorities identified as part of the Policy & Resource Plan.

It is therefore essential that the priorities of the Plan are taken forward in a co-ordinated way with Public Service Reform. It is only by simultaneously delivering reform, an effective policy planning process and fiscal discipline that we will be able to build a sustainable future for the islands.



Deputy Gavin St Pier
President, Policy & Resources Committee

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Section 1: Strategic Overview

Fiscal Policy

- 1.1 The Fiscal Policy Framework was approved by the States in 2009 (Billet d'État XI, 2009) and is a set of parameters that guides how much money the States can collect from the public; sets out the size and duration of any deficit; and states the maximum amount of borrowing permitted.
- 1.2 The Treasury and Resources Department historically sought to recommend budgets to the States within the parameters of the framework taking account of the limits on revenue income; the need to seek to balance the budget; and the requirement to invest in capital infrastructure which can, in the short-term, create pressures and conflicts.
- 1.3 Overall, the States have been successful in restraining operational expenditure growth over the last two terms of government and have increased the amount of money set aside for investment in infrastructure. Despite this, the overall deficit has run for eight consecutive years with 2016 set to become the ninth other than for the measures now being taken to deliver financial balance.
- 1.4 The overall deficit reported in the 2015 accounts, equivalent to 1% of Gross Domestic Product (GDP), may be small relative to other jurisdictions but its continued existence is in breach of the framework and therefore must be addressed. It has also become increasingly apparent that there is a structural element to the deficit.
- 1.5 Tackling this issue and returning to a balanced position is the highest priority for the Policy & Resources Committee since sustainable finances are critical to both Guernsey's economic success and the States' ability to provide public services in the long-term.
- 1.6 Once the first objective to balance the budget has been achieved, it is important to return to the delivery of surpluses in order to restore the reserves depleted in supporting the deficit over the last eight years. This will enhance our ability to be resilient in the face of future economic changes and deliver on the requirement for long-run permanent balance.
- 1.7 In order to achieve this objective, the Policy & Resources Committee is recommending in its policy letter entitled "Phase 1 of the Policy & Resource Plan" that the States commit to operating within the parameters of an updated Fiscal Policy Framework over this political term, which will require us to:
 - Adhere to the fiscal rules contained within the updated Fiscal Policy Framework;
 - Present a credible fiscal strategy as part of phase two of the Policy & Resource Plan in June 2017;
 - Achieve and maintain a balanced budget in the short-term and surplus in the medium-term;

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- Continue expenditure restraint and ensure no real-terms' growth in expenditure while the budget remains in deficit;
- Provide leadership of the transformation agenda and support Public Service Reform in order to manage both short- and long-term spending pressures;
- Ensure that the States' commercial and semi-commercial entities and other States' assets are maximised, making an appropriate return to the States; and
- Prioritise capital investment aligned with the Policy & Resource Plan.

1.8 This budget has been compiled in the context of these objectives and has at its core the need to deliver a sustainably balanced budget in the short-term but reconciling this with the requirement to fund capital investment in our island infrastructure.

Policy & Resource Plan

1.9 The Policy & Resources Committee is confident that in integrating policy and resource planning in the short-term, significant benefits will be realised which should ensure that better informed decisions are made in future. Those strategies and plans that are developed should deliver on agreed policy objectives, be affordable and, therefore, sustainable for the Guernsey economy.

1.10 However there is, and will continue to be, only so much time, money and people to deliver the services government is obliged to provide. Inevitably, it will not be possible to provide everything put forward by the Principal Committees as part of the Policy & Resource Plan and it may not be possible or desirable to continue to deliver all of the public services currently provided.

1.11 During the second phase of the Policy & Resource Plan it will be necessary to consider which proposals to take forward and which will have to wait or, perhaps, not be taken forward at all. This process can be complex and difficult. It will involve dealing with uncertainty and ambiguity and will inevitably involve making difficult or unpopular decisions.

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Public Service Reform

- 1.12 In September 2015, the States considered a policy letter on Public Service Reform (Billet d'État XVI, 2015) and endorsed the accompanying document, "A Framework for Public Service Reform". This ten-year plan sets out the vision for the future of public services in Guernsey which will be achieved by transforming the organisation, management, and delivery of services to customers.
- 1.13 In order to achieve this vision and meet the current and future challenges faced by our community, it will be necessary to rethink the way that public services are delivered. Significant work has already commenced on the Public Service Reform agenda and the transformation programmes within it.
- 1.14 The successful implementation of transformation will bring a return on investment known as the reform dividend, where cost savings can be used to eradicate the deficit; fund demand in services like health and social care; be invested in new or improved services; generate funding to invest in capital assets; or replenish depleted reserves.
- 1.15 The Policy & Resources Committee has previously announced its intention to recommend targets for delivery of this "reform dividend". A real-terms' target of 3% has been set for all non-formula led cash limits (other than for the Committee *for* Health & Social Care and the Overseas Aid & Development Commission) for 2017 and budgets have been prepared on this basis.
- 1.16 The President/Vice-President of the Committee have met with all Principal Committee Presidents/Vice-Presidents to discuss the approach being taken to identifying projects capable of delivering this 3% target and any support which might be provided through the corporate functions in particular. The Policy & Resources Committee has sought to emphasise the need for change and transformation to service delivery and delivery models as a means of securing savings rather than applying an indiscriminate 'salami slicing' approach to budget reductions. It is the intention of the Committee to continue this dialogue in order to co-ordinate the successful delivery of the savings.
- 1.17 In order to deliver a balanced budget and create the possibility of unlocking resources to fund other priorities identified as part of the Policy & Resource Plan, it will be necessary to deliver additional reform dividends in subsequent years. The Policy & Resources Committee is planning on the basis of a further 5% saving in both 2018 and 2019 and is under no illusion that this will be an exceptionally challenging target. It will only be possible to deliver this target through real change and transformation to public services and true joint working across services and the political Committees. However, meeting such a challenging target for the reform of services currently provided will be imperative to deliver the savings required to reinvest in public services – either in meeting increased demand or funding new or enhanced services.
- 1.18 The Policy & Resources Committee intends to commence work with each Committee early in 2017 to identify the opportunities for such savings, which will not simply be allocated on a Committee by Committee basis but based on areas where greatest opportunity exists.

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Economic Context and Assumptions

- 1.19 There has been improvement in some of Guernsey's core statistics published in the early part of 2016. Population data for the third quarter of 2015 shows a return to net immigration and the first quarter of 2016 saw both real earnings and employment growth on the previous year being reported. This has led to an expectation that the revenue position will improve in some areas. For example, Document Duty receipts, which have declined materially over recent years through low numbers of transactions and a fall in average prices, are budgeted to show a modest increase in 2017, reflecting an increase in the number of transactions taking place by the middle of 2016. In addition, it is anticipated that the growth in real earnings and employment will feed through into real-terms' increases in some income tax receipts, although the Policy & Resources Committee's estimates remain conservative at this stage.
- 1.20 The fall in oil prices during 2015 has kept inflation rates in Guernsey low over the last four quarters and RPIX was 0.6% at the end of June 2016. This is the increase applied to calculate total 2017 Cash Limits.
- 1.21 However, the annual inflation rates, RPIX and RPI, will move beyond the effect of this price drop in the third quarter of 2016 and, barring a negative price shock, it is anticipated that there will be a significant increase in inflation rates over the latter half of the year. The current expectation is that, in line with United Kingdom (UK) Consumer Prices Index (CPI) forecasts, RPIX will return to more typical levels (in the region of 3%) during 2017 and measures recommended in this Budget Report have been based on this assumption.
- 1.22 While there has been some improvement in the current economic conditions, there are both risks and opportunities in the short- and medium-term. For example, in a referendum held in June 2016, the UK voted to leave the European Union (EU). Whilst the UK have not formally commenced the process, work is underway to effect an exit. However, as yet, it is not certain what 'Brexit' will mean in terms of the UK's future relationship with the EU or any impact on Guernsey.
- 1.23 Guernsey is fortunate in that it is already considered a third country by the EU in regards to the provision of services and, as such, our position for financial services should remain unchanged and may provide opportunities to capitalise on the strength and relative stability of our position. This places Guernsey in a relatively secure position but, given the strength of trading relationships with the UK, we are not isolated from the impact of the uncertainty of the UK's position. However, for budgeting purposes, a prudent approach has been taken and the negative risk allowed for in forecasts, particularly corporate tax receipts.

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Section 2: 2016 Financial Position

- 2.1 At the end of the first quarter of 2016, the forecast was for an in-year deficit of £10-15million, compared to the budgeted balanced position, as a result of a combination of lower income forecasts and expenditure in excess of budget, particularly in the area of health and social care. Therefore, measures were put in place to reduce in-year expenditure including controls over recruitment; use of consultants and overtime. In addition, Committees^a were asked to review their routine capital expenditure plans and reprioritise or reschedule projects where appropriate and the States' Trading Supervisory Board was requested to make a return to General Revenue from the unincorporated trading assets.
- 2.2 As a result of these measures, a total of £4.1million has been realised this year to date which has reduced the projected shortfall:
- Reductions of £1million in revenue expenditure;
 - Return of £1.6million of routine capital allocation by the Committee *for* Education, Sport & Culture (paragraphs 6.23-6.26),
 - In-year contributions from Guernsey Water (£1million) and States Works (£500,000).
- 2.3 In addition, a number of other factors including an upturn in Document Duty receipts, a reduction in the forecast overspend by the Committee *for* Health & Social Care and lower than estimated formula led expenditure have reduced the projected shortfall to £5.4million.

^a For the purposes of this Report, the term 'Committee' includes the seven Principal Committees plus the following who are also allocated General Revenue Cash Limits: Development and Planning Authority, Overseas Aid & Development Commission, States' Trading Supervisory Board, Scrutiny Management Committee, Royal Court, Law Officers and States of Alderney.

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2.4 The following table summarises the States' 2016 financial position:

	2016 Probable Outturn £m	2016 Budget Estimate £m	2015 Actual £m
Revenue Income			
Income Tax	297	305	290
Other Taxes	76	76	69
Miscellaneous Income	20	19	21
Revenue Income	393	400	380
Revenue Expenditure	(372)	(372)	(365)
Revenue Surplus	21	28	15
Routine Capital Allocations	(9)	(11)	(8)
Capital Income	10	10	-
Operating Surplus	22	27	7
Transfer to Capital Reserve (including capital income)	(23)	(28)	(36)
Transfer from General Revenue Account Reserve (timing of delivery of FTP benefits)	1	1	4
Deficit	-	-	(25)
Funded by transfer from: General Revenue Account Reserve	-	-	25

2.5 Compared to budget, the 2016 projected revenue surplus (i.e. before routine capital allocations and transfer to the Capital Reserve) has decreased by £7million to £21million. This is primarily due to income tax receipts being £8million lower than anticipated.

2.6 The 2016 budget for income tax receipts was compiled in mid-2015 based on the best information, indicators and forecasts available at that time. However, at the time, the full extent of the deterioration in income tax revenues was not known. There is an inherent difficulty in forecasting income tax receipts as there is a significant time delay between profits and investment income earned and tax paid for all receipts apart from those relating to employment. This delay can be up to two years and can lead to significant under- or over-payments in future years relating to prior years of charge. This can distort the statistics and lead to inaccuracies in forecasting.

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- 2.7 However, the Policy & Resources Committee recognises the importance of being able to forecast revenues with some degree of accuracy since so many other budget decisions rest on the core income. Therefore, an internal working group has been established which is seeking to better analyse the revenue income position both in-year and forecasting for the future. It is the intention that external members are invited to sit on this group from 2017 onwards.
- 2.8 As set out in the 2016 Budget Report, as the General Revenue Account Reserve has been exhausted meaning that funds are no longer available to manage in-year shortfalls in income, short-term cyclical variations and other timing issues, the 2016 transfer to the Capital Reserve (excluding capital income) from General Revenue was reduced to £18.3million (instead of £36.8million which would have been transferred in line with the agreed policy). Therefore, the deterioration in the 2016 position means that **it is recommended that the 2016 transfer to the Capital Reserve is reduced by a further £5.4million to £12.9million** in order to deliver an in-year balanced position. The following table details the anticipated 2016 Probable Outturn for each Committee compared with budget:

2016	Original (Restated) Budget £'000s	Authorised Budget ^b £'000s	Probable Outturn £'000s	Anticipated (Over) / Underspend £'000s
Policy & Resources				
General	24,815	25,830	25,830	-
Formula Led	2,010	2,010	2,010	-
Economic Development	6,597	6,580	6,478	102
Education, Sport & Culture	79,410	80,465	80,273	192
Employment & Social Security				
General	11,592	11,827	11,313	514
Formula Led	60,605	60,605	59,235	1,370
Environment & Infrastructure	12,652	12,591	12,453	138
Health & Social Care	118,187	119,890	123,714	(3,824)
Home Affairs	33,024	33,449	33,222	227
Scrutiny Management	570	570	570	-
Development & Planning	1,520	1,520	1,324	196
Overseas Aid & Development	2,885	2,885	2,885	-
States Trading Supervisory	1,584	1,587	1,543	44
Royal Court	2,540	2,541	2,425	116
Law Officers	4,700	4,736	4,736	-
States of Alderney	1,880	1,885	1,885	-
	364,571	368,971	369,896	(925)
Budget Reserve	7,529	3,129	1,904	1,225
	372,100	372,100	371,800	300

^b Authorised Budgets include inter-Committee transfers and £4.4million of funding which has been transferred between the Budget Reserve and Committees including £3million in respect of settled pay awards.

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- 2.9 It is anticipated that there will be sufficient funding in the Budget Reserve and underspends from other Committees to fund the increased expenditure by the Committee *for* Heath & Social Care within the overall total budget for revenue expenditure.
- 2.10 In recent years, significant prudence has been exercised in estimating probable outturns. In 2015, the probable outturn for revenue expenditure was £365.6million whereas the actual outturn was just over £1million less at £364.5million after allowing for an additional increase in expenditure of £2million by the Health and Social Services Department. Therefore, all other Departments underspent by £3million more than was projected in the 2016 Budget Report.
- 2.11 Any further increases in revenues or underspends in 2016 will now result in an in-year surplus which would enable the General Revenue Account Reserve, which is currently some £3million overdrawn, to be replenished. Any further material deterioration would mean that a resolution would be proposed during 2017 to commensurately reduce that year's appropriation to the Capital Reserve.

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Section 3: 2017 Budget Estimate

3.1 The following table summarises the General Revenue financial position:

	2017 Budget Estimate £m	2016 Forecast Outturn £m	2016 Budget Estimate £m	2015 Actual £m
Revenue Income				
Income Tax	303	297	305	290
Other Taxes	79	76	76	69
Miscellaneous Income	21	20	19	21
Revenue Income	403	393	400	380
Revenue Expenditure	(362)	(372)	(372)	(365)
Revenue Surplus	41	21	28	15
Routine Capital Allocations	(11)	(9)	(11)	(8)
Capital Income	5	10	10	-
Operating Surplus	35	22	27	7
Transfer to Capital Reserve (including capital income)	(35)	(23)	(28)	(36)
Transfer from General Revenue Account Reserve (timing of delivery of FTP benefits)	-	1	1	4
Deficit	-	-	-	(25)
Funded by transfer from: General Revenue Account Reserve	-	-	-	25

3.2 The Policy & Resources Committee is committed to being fiscally prudent by delivering a balanced budget. Therefore, as there are no reserves to support an in-year deficit, the appropriation to the Capital Reserve from General Revenue is recommended to be adjusted accordingly in order to meet that objective. In 2016, this means that the appropriation is recommended to be revised to £12.9million (plus the transfer of £10million of capital income).

3.3 In order to deliver a balanced budget for 2017, the Policy & Resources Committee is recommending that the appropriation to the Capital Reserve from General Revenue is £29.8million. In addition, it is recommended that the States' Trading Supervisory Board is set a target minimum contribution of £5million of capital returns (in addition to any dividend paid in accordance with existing policy) which will be transferred to Capital Reserve (paragraph 7.15).

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3.4 The main reasons for the improvement of £17million between the General Revenue appropriations to the Capital Reserve in 2016 and 2017 are:

- £6.6million - the real-terms' budget reductions of 3% (paragraph 6.9);
- £4.7million – suspension in 2017 of the grant from General Revenue to the Health Service Fund (paragraph 5.32);
- £5.4million net – arising from responsible tax and duty changes, including £2.7million in accordance with extant States' resolutions arising from the joint States Report from the Treasury and Resources Department and the Social Security Department entitled "Planning a Sustainable Future – The Personal Tax, Pensions and Benefits Review" ("The Joint Report") (Billet d'État IV, 2015) and the Guernsey and Alderney Tobacco Control Strategy 2015-2020 (Billet d'État VII, 2015):
 - The withdrawal of Personal Income Tax Allowances for Higher Earners in order to make the Income Tax system more progressive (£2.4million) (paragraph 4.13) in accordance with The Joint Report;
 - A real-terms' increase in Personal Income Tax Allowances (excluding the Age Related Allowances) (net cost of £0.6million) (paragraph 4.7) in accordance with The Joint Report;
 - Domestic Tax on Real Property rates to increase by 10.5% (£0.6million bringing the total to £6.3million) (paragraph 4.54) in accordance with The Joint Report;
 - Commercial Tax on Real Property to increase by 5% (£0.7million bringing the total to £15.1 million) (paragraph 4.54);
 - A 5p increase in the duty on a litre of fuel (£1.4million) (paragraph 4.35);
 - A 5.6% increase in the duty on cigarettes (8.1% for all other tobacco products) (£0.3million) (paragraph 4.40);
 - A 2% real-terms' increase in the duty on alcohol (£0.6million) (paragraph 4.44).

3.5 At the aggregate level, measures to reduce expenditure are approximately twice the value of the net increases in tax and duty income, albeit the suspension of the grant from General Revenue to the Health Service Fund is a non-recurring measure.

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- 3.6 If the 2017 Budget had been prepared on the basis of no changes to taxes and continuing the policy of maintaining the real value of the appropriation to the Capital Reserve, there would have been a deficit of £21million. The following table summarises the financial position before and after the proposed budget measures, including a net additional allocation of £3.5million for health and social care services arising from a delay in the delivery of savings (paragraph 5.35):

	2017 'Base' £m	2017 Budget Measures £m	2017 Budget Estimate £m
Income Tax	301	2	303
Other Taxes	76	3	79
Other Income	21	-	21
Total Revenue Income	398	5	403
Revenue Expenditure	(370)	8	(362)
Revenue Surplus	28	13	41
Routine Capital Allocations	(11)	-	(11)
Capital Income	-	5	5
Operating Surplus	17	18	35
Transfers to Capital Reserve:			
General Appropriation	(38)	8	(30)
Capital Income	-	(5)	(5)
Deficit	(21)	21	-

Fiscal Policies

- 3.7 The Budget has been prepared with due regard to the Fiscal Framework including that the *“upper limit on aggregate government income, incorporating General Revenue, Social Security contributions and fees and charges, such that total government income should not exceed 28% of Gross Domestic Product.”* It is estimated that, taking into account the measures proposed in this Budget Report and in the Committee for Employment & Social Security’s November 2016 policy letter entitled “Benefit and Contribution Rates for 2017”, that aggregate government income in 2017 will represent approximately 24% of GDP (calculation based on the 2015 GDP estimate).

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- 3.8 The 2016 Budget Report included *“The Treasury and Resources Department considers that the current lack of integration and co-ordination between the two key revenue raising functions of the States (income tax and social security contributions) means planning for compliance with this limit will prove challenging in the medium-term. It is also a concern that the States continue to consider, in isolation, changes to non-contributory benefit rates which consequently affect the resources available to allocate to other Departments through the Budget process. Therefore, it is the firm view of the Department that the next States will need to give serious consideration to reforming the current system and presenting a single Policy Letter incorporating all proposals affecting the States’ financial position.”*
- 3.9 The Policy & Resources Committee agrees with this assessment and has already discussed and agreed with the Committee for Employment & Social Security that the two Committees will work together on fiscal matters and explore ways of integrating fiscal decision making.

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Section 4: Income Proposals

Corporate Income Tax

4.1 In April 2015, following consideration of The Joint Report, the States resolved, inter alia:

“To direct the Treasury and Resources Department, having due regard for the need to provide a stable platform, maintain business confidence, support and encourage financial services and to retain an internationally acceptable and competitive tax environment for the islands’ businesses, to continue to closely monitor the appropriateness of the corporate tax regime, and to report back to the States should it consider any changes are necessary.”

4.2 Following consideration of the 2016 Budget Report, the States agreed three extensions to the scope of corporate income tax: to extend the 10% rate to the provision of custody services by banks; extend the 20% rate to the importation and/or supply of hydrocarbon oil or gas in Guernsey; and extend the 20% rate to retail business carried on in Guernsey where the company has a taxable profit of more than £500,000 in a year from such business.

4.3 It was noted that these changes, together with previous decisions to increase commercial TRP and employers’ social insurance contributions as well as the taxation of distributions from companies, mean that government is now receiving a broadly comparable amount from the corporate sector as it was before the adoption of the Zero-Ten corporate regime.

4.4 The Policy & Resources Committee, in accordance with the above resolution, continues to monitor the appropriateness of the corporate tax regime and will report back to the States as and when it considers any other changes should be made. The matters and initiatives that will be considered as part of the monitoring of emerging and evolving international standards include: the Organisation for Economic Development and Co-ordination’s Base Erosion and Profit Shifting actions, to which Guernsey has already demonstrated an active commitment; the development of the EU Commission’s criteria for tax good governance, used as the basis for potential Code Group assessment of third country jurisdictions; and the EU Commission’s Anti-Tax Avoidance Directive.

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Personal Income Tax

Update on Progressing The Joint Report resolutions

- 4.5 In April 2015, following consideration of The Joint Report, the States approved, inter alia:

“To agree between 2015 and 2025, and subject to approval and implementation set out in Propositions 28 to 39 below, to phase in increases in personal tax allowances to no more than £17,500 (at 2015 prices), the level of phasing having regard to other measures introduced as a result of the States of Deliberation’s approval of these Propositions, and direct the Treasury and Resources Department to bring forward proposals to effect this in their annual Budget Reports.

To direct the Treasury and Resources Department, in conjunction with any decision to increase personal allowances along the lines set out in Proposition 27, to report to the States with detailed proposals to remove the universality of personal tax allowances and instead to introduce a scheme which provides for personal tax allowances to be withdrawn gradually as a person’s income increases up to the point where a person whose income exceeds a certain amount receives no personal tax allowance.

To agree to freeze the personal tax allowance provided to those over the age of 64 until such time as the personal tax allowance for those under the age of 65 reaches the same level and thereafter that the personal tax allowance for all tax payers should be the same, and direct the Treasury and Resources Department to bring forward proposals to effect this in its annual Budget Reports.

To direct the Social Security and Treasury and Resources Departments to investigate options to make the tax and social security system as a whole more progressive, through the withdrawal of personal tax allowances (such investigation to include consideration of the interaction with the upper earnings limit on Social Security contributions in order to avoid high marginal rates of taxation) and to report back to the States with their findings no later than June 2017.”

- 4.6 This Budget Report includes proposals for the following measures to progress these resolutions:

- A 3.4% increase in the Single person’s personal allowance (to £10,000) and Married person’s personal allowance (to £20,000) and the supplementary allowances;
- No increase in the higher personal allowances available to those aged sixty four or over at the commencement of the Year of Charge (“Age Related Allowances”);
- With effect from Year of Charge 2019, no new Age Related Allowances will be given;
- With effect from Year of Charge 2018, no new claims will be admitted for Dependent Relative Allowance in respect of children in higher education;
- Gradual withdrawal of personal allowances if a person’s income exceeds the annual Upper Earnings Limit (UEL) for Social Security contributions.

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2017 Personal Income Tax Allowances

- 4.7 In order to maintain Guernsey's personal tax competitiveness with other jurisdictions, such as Jersey, the Isle of Man and the UK, **a 3.4% increase in the Single person's and Married person's personal allowances for those aged under sixty five (to £10,000 and £20,000 respectively) and the supplementary allowances is proposed.**
- 4.8 It is estimated that each 1% increase in personal allowances above the forecast growth in employment tax income results in a decrease in States' revenues of approximately £800,000. Therefore, as the employment tax income is forecast to grow by 2%, the further 1.4% increase will result in a reduction in States' revenues of approximately £1.1million.
- 4.9 In accordance with the direction set in The Joint Report, there are no increases recommended in the Age Related Allowances. The provision of an extended allowance for people aged over sixty five costs the States an estimated £3million per annum; freezing this allowance in 2017 and allowing the differential to be narrowed will reduce this additional cost by approximately £500,000.
- 4.10 It is **recommended that no Age Related Allowance will be given to anyone turning sixty five from 2019 onwards**, instead such individuals will continue to receive the Single person's or Married person's Allowance available to those under the age of sixty five. This is consistent with the direction set in the Joint Report that age-related enhancements to Personal Allowances should end as offering an extended tax allowance on the basis of age is considered to be inequitable, positively discriminating in favour of older people but not targeting those most in need.
- 4.11 The personal allowances for 2017 are recommended to be as follows:

Single person's	£10,000
Single person's entitled to age relief	£11,450
Married person's	£20,000
Married person's, one entitled to age relief	£21,450
Married person's, both entitled to age relief	£22,900

- 4.12 The supplementary personal income tax allowances for 2017 are recommended to be as follows^c

Dependent relative	£3,225
Housekeeper	£3,225
Infirm Persons	£3,225
Charge of Children	£6,775

^c In respect of claims for dependent relatives (other than for children in higher education), housekeepers and infirm persons, as approved as part of the 2008 Budget, no new claims have been admitted for the Year of Charge 2009 or will be admitted for any subsequent year of charge. Existing claims, however, will continue to be allowed, so long as they continue to meet the conditions.

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Withdrawal of Personal Allowances for Higher Earners

4.13 As directed in the resolutions of The Joint Report, the Policy & Resources Committee is proposing measures in this Budget Report as Phase 1 of the removal of the universality of personal tax allowances. It is **recommending the introduction of a scheme which provides for personal tax allowances to be withdrawn gradually at a rate of £1 for every £3 that a person's income exceeds the UEL on Social Security contributions (recommended to be £138,684 in 2017) which will be pro-rated in the year of arrival or permanent departure.**

4.14 Withdrawing personal tax allowances in this way increases the maximum marginal rate (the percentage of income tax paid on each additional £1 earned) to 26.7% for those with income above the threshold. This is because an individual must pay tax both on the additional money they earn and the allowance they have lost as a result of the increase in their income. A threshold below the UEL would increase the marginal rate, capturing both income tax and social security contributions, which for self-employed individuals could exceed 37.2% at a 1:3 ratio. Such high marginal rates could damage Guernsey's competitive position, particularly when compared to other jurisdictions, making it more difficult to recruit and retain staff.

4.15 The following table illustrates the effect of this proposal on a single individual under the age of sixty who is currently entitled to receive only the personal allowance (£10,000 in 2017):

Income	Allowance withdrawn	Allowance received
£138,684	£nil	£10,000
£140,000	£439	£9,561
£150,000	£3,772	£6,228
£160,000	£7,105	£2,895
£168,684	£10,000	£nil

4.16 It is estimated that this measure would affect approximately 1,150 individuals (less than 3% of taxpayers) and raise an estimated £2.4million per annum annually. In order to administer this change (including to issue appropriate coding notices, process income tax returns and deal with queries from those impacted), an additional member of staff will be required and this is incorporated in the budget for Income Tax within the Policy & Resources Committee.

4.17 Phase 2 of the removal of the universality of personal tax allowances will consider the threshold at which withdrawal commences and the withdrawal of other allowances and reliefs for higher earners. This work will be carried out in conjunction with the Committee for Employment & Social Security's review into ensuring that the treatment of social security contributors is equitable, such review having particular regard to the upper earnings limit on contributions, the rates charged for self-employed and non-employed contributors and the definition of income used in the assessment of contributions for non-employed contributors.

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Dependent Relative Allowance

- 4.18 This allowance may be claimed by individuals who have a child aged over nineteen and in full-time higher education (the allowance is reduced by £1 for every £1 that the child's income exceeds £6,550). This allowance, which is recommended to be £3,225 for 2017, provides a reduction in income tax payable of a maximum of £645 per annum for each claimant and costs approximately £250,000 per annum. It is considered that specific tax allowances to households in defined circumstances is similar to the provision of a universal benefit and, in many cases, are not well-targeted and, in some cases, not effective in achieving their original purpose. Therefore, **it is recommended that, with effect from the Year of Charge 2018, no new claims are admitted for Dependent Relative Allowance in respect of children in higher education.** This will have no effect on parents of children who are currently in full-time higher education or who start a full-time higher education course in 2017.

Income Tax on distributions

- 4.19 Currently, profits made by a non-Guernsey incorporated company prior to an individual's arrival in Guernsey (and which could have been distributed prior to arrival) are subject to Guernsey income tax when they are distributed, albeit any liability is limited by the income tax cap. It is understood that this may be dissuading some high net worth individuals from relocating to Guernsey since concessions are available in some competitor jurisdictions.
- 4.20 It is **recommended that the Income Tax Law is amended to exempt from Guernsey tax, distributions from the accumulated profits of a non-Guernsey incorporated company (which has not prior to the individual's arrival, carried on business in Guernsey, nor been used to hold Guernsey investments), which arose prior to the date the beneficial member of that company moves to Guernsey, subject to the beneficial member having an interest in the company of 1% or more and this income actually being distributed to the member by the end of the second full year of charge since the individual became resident.**
- 4.21 This will encourage the individual to distribute the profits within two years and thus potentially invest such funds whilst they are resident in Guernsey. This is considered to be a technical change which will ensure that Guernsey's regime is competitive with other jurisdictions (such as Jersey and the Isle of Man) in order to be attractive to high net worth individuals who are considering relocating to Guernsey; reduce administrative and compliance work by the individuals and Income Tax; and have a minimal effect on income tax collected (due to the effect of existing double tax relief arrangements).

Benefits in Kind

- 4.22 "Benefits in Kind" are non-cash benefits, received by an employee from their employer, commonly consisting of the use of assets (for example, the occupation of a property or use of a motor vehicle) without a transfer of ownership, or from third parties (such as gifts from customers or their employer). Regulations are required to set the amount to be charged to income tax for certain such benefits.

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4.23 In order to maintain the real value of Benefits in Kind charges, which were last increased in 2014, **it is recommended that they are increased at a fixed percentage of 3% per annum, compounded, for each of the next three years (2017 – 2019 inclusive).** By scheduling the proposed charges now, rather than increasing charges annually, employers who provide such benefits will be able to plan for the proposed increases when amending their payroll systems, rather than requiring an amendment each year.

4.24 The Benefit In Kind charges for 2017-2019 are recommended to be as follows:

Benefit in Kind Charges	Current 2016	Proposed 2017	Proposed 2018	Proposed 2019
Cars:				
Limited private use only	£1,150	£1,185	£1,220	£1,255
Cost less than £10,000	£3,450	£3,555	£3,660	£3,770
Cost £10,000 - £19,999	£5,750	£5,925	£6,105	£6,290
Where the cost is £20,000 or more, the taxable benefit is 35% of the cost, per annum.				
3,4 and 5 star hotel / guesthouse accommodation for proprietary directors, proprietary employees and their dependants:				
Single Person	£2,180	£2,245	£2,310	£2,380
Married Person	£3,645	£3,755	£3,870	£3,985
Children up to age 1 *	-	-	-	-
Children between 1-4 years *	£345	£355	£365	£375
Children between 5-16 years *	£980	£1,010	£1,040	£1,070
Children age 17+ and still in formal education *	£1,440	£1,485	£1,530	£1,575
1 and 2 star hotel / guesthouse accommodation for proprietary directors, proprietary employees and their dependants:				
Single Person	£1,895	£1,950	£2,010	£2,070
Married Person	£3,170	£3,265	£3,365	£3,465
Children up to age 1 *	-	-	-	-
Children between 1-4 years *	£345	£355	£365	£375
Children between 5-16 years *	£850	£875	£900	£925
Children age 17+ and still in formal education *	£1,260	£1,300	£1,340	£1,380
Employed managers (other than proprietary managers) and other employees:				
Accommodation (per week)	£20	£25	£25	£25
Food (per week)	£20	£25	£25	£25

* At 31 December in the relevant year.

4.25 The following example shows the effect of this change:

An employee is provided with a vehicle that costs £18,000. In 2016, the actual tax due would be £1,150. Under the proposed rates, this would increase to actual tax due of £1,185 (2017), £1,221 (2018) and £1,258 (2019), an increase of £35 in 2017, a further £36 in 2018 and a further £37 in 2019.

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Charitable Giving

- 4.26 The voluntary and charitable sectors make a significant contribution to Guernsey's community, by supporting the work of the States and, in some circumstances, providing support that the States do not or cannot provide. The Association of Guernsey Charities ("the Association") has, through the Third Sector Compact and subsequent partnership with government, ensured that the contribution and needs of the voluntary and charitable sectors are now far better understood by government.
- 4.27 The Policy & Resources Committee has been approached by the Association to consider extending the tax relief available on charitable donations. The Committee wishes to encourage further charitable giving in support of the valuable work undertaken by the third sector. However, as such measures would result in a decrease in income tax receipts, it is not possible to recommend increases in such tax relief in the current fiscal environment.
- 4.28 However, the Committee will undertake a review of potential measures to support the voluntary and charitable sector including the thresholds of tax relief on charitable donations and the introduction of a payroll giving scheme. This work will be undertaken in partnership with the Association and the Committee will report back in the 2018 Budget Report.

Other Taxes and Duties

Environmental Taxes

- 4.29 In April 2015, following consideration of The Joint Report, the States resolved, inter alia:
- "To direct the Treasury and Resources Department, after consultation with the Environment Department, Social Security Department, Commerce and Employment Department and Policy Council as appropriate, to lay before the States no later than March 2016 proposals to diversify the tax base by introducing or increasing environmental taxes, and to agree that a comprehensive energy efficiency programme to assist in mitigating any possible regressive effects of such taxes on low income households should form an integral part of such diversification."*
- 4.30 During 2016, a detailed review has been undertaken (available on the States of Guernsey website) that considered different forms of environmental taxation, including references to the approaches taken in Jersey, the UK, the EU and other jurisdictions. The report, which identifies four categories of environmental taxation: energy; transport; pollution and resources, identifies the key benefits of each option and how they could be applied in Guernsey. In general, the report has concluded that the introduction of further environmental taxes in Guernsey presents significant challenges, including substantial evidence that they can be regressive and fall disproportionately on low-income households.

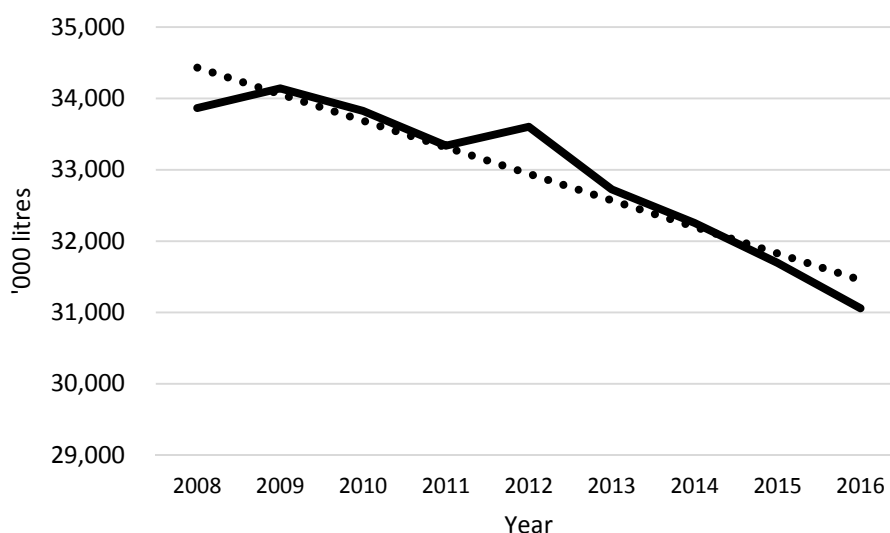
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4.31 There are a number of environmental taxes that are currently charged in Guernsey including excise duty on motor fuel (which has increased substantially in recent years including as a result of the abolition of motor tax) and the recent introduction of a First Registration Duty (which is based on a motor vehicle's carbon dioxide emission levels).

4.32 In light of the these existing measures, the imminent introduction of volume-based waste disposal charges and the intention to investigate the extension of excise duty to all other fuels oils (paragraph 4.38), the Committee is not, at this time, intending to consider further the introduction of other environmental taxes.

Excise Duty on Motor Fuel

4.33 As shown in the graph below, the volume of motor fuel used is declining from nearly 34million litres in 2008 by 9% to an expected 31million litres in 2016:



4.34 This is having an adverse effect on excise duty income meaning that percentage increases in duty rates are not resulting in similar percentage increases in income. It is understood that the reasons for this fall in volume are increased efficiency of engines and changes in driving habits. In order to compensate for the loss of income arising from the 3million litres reduction in volume, a duty increase of nearly 6p per litre would be required.

4.35 Based on the inflation forecast of 3%, an increase of 1.8p per litre would be needed to maintain the real value of excise duty on motor fuel. However, in order to partially compensate for the fall in volumes of motor fuel being consumed, it is recommended that **excise duty on motor fuel is increased by 5p per litre to 63.5p per litre** as detailed in the table below:

	2016	Increase	2017
Maintaining real value of income from 'Motor Tax' element	38.5p	1.2p	39.7p
Other	20.0p	3.8p	23.8p
TOTAL	58.5p	5.0p	63.5p

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- 4.36 The concessionary rate of duty on petrol for marine use will increase by 3.8p (i.e. the non 'Motor Tax' element) to 40.4p per litre.
- 4.37 This would raise an additional £1.4million per annum (£850,000 in real-terms without any further fall in volumes consumed). A further 2% fall in volumes would reduce the increase in income to £1million (£450,000 in real terms).
- 4.38 It is apparent that excise duty on motor fuel is a shrinking tax base and, in order to maintain the real value of the income derived from this source, it is likely that, unless the tax base is changed, above inflation rises will be needed in future years to compensate for anticipated falling volumes of fuel consumed. Therefore, having regard to the recognised need to ensure future revenue stability, the Policy & Resources Committee is of the view that it is an appropriate time to consider whether the scope of fuel oils subject to excise duty should be extended. Therefore, it is **recommended that the States endorses the Committee investigating the extension of excise duty to other fuels oils**, consulting with industry and the public and reporting back with, if appropriate, recommendations in the 2018 Budget Report. This investigation would be carried out in close collaboration with the Committee for Home Affairs.

Excise Duty on Tobacco

- 4.39 In April 2015, the States considered a States Report from the Health and Social Services Department entitled "*Guernsey and Alderney Tobacco Control Strategy 2015 – 2020*" (Billet d'État VII, 2015) and resolved, inter alia:

"To increase the rate of excise duty on cigarettes at a minimum of the Retail Price Index(X) plus 5% annually for the five years 2016 to 2020; and

To increase the rate of excise duty on other tobacco products at a minimum of Retail Price Index (X) plus 7.5% annually for the five years 2016 – 2020, subject to the rate of excise duty on each tobacco product not exceeding the rate of excise duty on cigarettes;"

- 4.40 Therefore, as the increase in the Guernsey RPIX as at June 2016 is 0.6%, the Policy & Resources Committee is recommending **an increase in excise duty in respect of cigarettes of 5.6% and for all other tobacco products of 8.1%** as follows:

Description of Goods	Present Rate of Duty Per Kilogram	Proposed Rate of Duty Per Kilogram
Cigarettes	£298.52	£315.24
Cigars	£283.72	£306.70
Hand rolling tobacco	£264.21	£285.61
Other manufactured tobacco	£229.17	£247.73
Tobacco leaf – unstemmed	£254.40	£275.01
Tobacco leaf – stemmed	£256.96	£277.77

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4.41 The excise duty on an average packet of 20 cigarettes would increase from £4.39 to £4.64^d. There is strong world-wide evidence that the demand for tobacco products is price-sensitive. Furthermore, the continuing real-terms' increases in the duty on tobacco are considered to be a powerful motivator for smokers to quit and to deter young people from starting smoking. It should be noted, though, that although decreasing import volumes indicate that less tobacco is being consumed, such indication may be countered by an increase in the amount of tobacco products being consumed on which no duty has been paid.

4.42 It is estimated that the income from Excise Duty on Tobacco will be £9.2million (which includes approximately £1million of one-off receipts due to significant imports anticipated in 2015 actually taking place in 2016) and £8.5million in 2017. Therefore, it is anticipated that the budget measure will raise an additional £300,000.

Excise Duty on Alcohol

4.43 The "Drug & Alcohol Strategy Action Plan 2010-2015" which was considered by the States in January 2015 (Billet d'État I, 2015) included the aim *"To reduce the availability of cheap and heavily discounted alcohol and irresponsible promotions"* which would be addressed, inter alia, through *"increases [in] duty on alcohol products year or year"*.

4.44 Therefore, it is recommended that the **increase in the duties levied on alcohol is 5%** - a real-terms' increase of 2%, raising an additional £600,000 per annum (£250,000 real-terms' increase). The 2017 budgeted income from excise duty on alcohol is £12.6million.

4.45 The Committee is recommending that duties be changed as follows:

Description of Goods	Present Rate of Duty Per Litre	Proposed Rate of Duty Per Litre
Exceeding 1.2% ABV but not exceeding 2.8% ABV	45p	47p
Exceeding 2.8% ABV but not exceeding 4.9% ABV	71p	75p
Exceeding 4.9% ABV but not exceeding 7.5% ABV	89p	94p
Exceeding 7.5% ABV	£1.04	£1.09
Exceeding 2.8% ABV but not exceeding 4.9% ABV – small independent brewery/producer	45p	47p
Exceeding 4.9% ABV but not exceeding 7.5% ABV – small independent brewery/producer	57p	60p
Spirits (per litre of pure alcohol)	£32.34	£33.96
Wines:		
Not exceeding 5.5% ABV	56p	59p
Exceeding 5.5% ABV but not exceeding 15% ABV	£2.28	£2.39
Exceeding 15% ABV	£3.64	£3.82

^d Compared to £5.59 (plus 5% GST) in Jersey and £5.50 (plus 20% VAT) in the UK.

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4.46 The effect of these changes on the most popular products is detailed below:

Description of Goods	Present 2016 Duty	Increase in Duty	Proposed 2017 Duty
Beer / Cider (2.8% - 4.9% ABV) – small independent brewery – 1 pint	25.56p	1.14p	26.70p
Beer / Cider (2.8% - 4.9% ABV) - 1 pint	40.33p	2.27p	42.60p
Beer / Cider (4.9% - 7.5% ABV) - 1 pint	50.55p	2.84p	53.39p
Spirits (37.5% ABV) – 25mls	30.32p	1.52p	31.84p
Spirits (37.5% ABV) – bottle (1 litre)	£12.13	61p	£12.74
Light wine (5.5% to 15% volume) – 125mls	28.50p	1.38p	29.88p
Light wine (5.5% to 15% volume) – bottle (750mls)	£1.71	8p	£1.79

Implementation of Excise Duty Budget Proposals

4.47 Under its existing powers, the Policy & Resources Committee will make an Order bringing the recommended changes in the rates of excise duty into effect on the date of publication of the Billet d'État containing this Report. The Order will cease to have effect at the conclusion of the States' Budget meeting and the Committee accordingly **recommends the States to approve by Ordinance that, from that date, the rates of excise duty shall be varied as set out in this Report.** These arrangements are the same as in previous years.

Sugar Tax

4.48 In March 2016 (Billet d'État VI, 2016) the States considered a Policy Letter from the Health and Social Services Department entitled "Guernsey and Alderney Healthy Weight Strategy 2016-2023" and, inter alia, resolved *"To direct the Health and Social Services Department (and its successor Committee) to work with the Home Department (the Guernsey Border Agency) and Treasury and Resources Department (and their successor Committees), to investigate the potential for implementation and administration of a tax on sugar sweetened beverages."*

4.49 The main body of the Policy Letter included: *"This is not likely to be a policy that is implemented early, but may be something that is required if sufficient progress is not being made through the other strands of the Strategy. Government should, and will, prioritise educational and behavioural initiatives first, and only look to fiscal measures as a last stop option."*

4.50 In May 2016, a working group at officer level was formed with representatives from Public Health, Guernsey Border Agency and Treasury. The group has since expanded its membership to include relevant officers from the States of Jersey so that the benefits of joint-working can be achieved.

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- 4.51 The initial focus for the group is monitoring the developments in the United Kingdom in relation to the *Soft Drinks Industry Levy* which will be introduced from April 2018 and which directly targets UK based producers and importers of soft drinks. In August 2016, the UK government launched a comprehensive eight-week consultation that will inform the introduction of the levy. The working group will continue to monitor the developments in the UK, including a detailed review of the formal consultation response document which is expected to be published in early 2017. An update on the progress of the working group will be included in the 2018 Budget Report.

Tax on Real Property (TRP)

- 4.52 In April 2015, following consideration of The Joint Report, the States resolved, inter alia:

“To direct that, as part of the annual Budget Report, the Treasury and Resources Department increases the rates of domestic Tax on Real Property by no more than 7.5% per annum in real-terms between 2016 and 2025.”

- 4.53 The 2016 Budget Estimate for income from Tax on Real Property is £20.2million (2015: £19.0million) of which £14.4million relates to commercial TRP (2015: £13.9million) and £5.8million relates to domestic TRP and land (2015: £5.1million) and it is estimated that the outturn in 2016 will be slightly lower at £20.1million.
- 4.54 It is **recommended that domestic and land tariffs are increased by 10.5%** (being the inflation projection of 3% plus 7.5% in line with the April 2015 States’ resolution); **and commercial tariffs are increased by 5%** (being the inflation projection of 3% and a real-terms’ increase of 2%). It is estimated that this will raise approximately an additional £1.3million per annum (£700,000 in real-terms) comprising commercial (£700,000) and domestic (£600,000).

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4.55 The following table details the 2016 TRP rate per unit, the proposed change and the proposed 2017 TRP rate per unit (commercial rates are rounded to the nearest 5p):

	2016 TRP rate per unit	Proposed increase	2017 Proposed TRP rate per unit
<i>Buildings (all zero-rated for Herm):</i>			
Domestic (whole unit) Local Market	£1.25	10.5%	£1.38
Domestic (flat) Local Market	£1.25	10.5%	£1.38
Domestic (glasshouse) Local Market	5p	-	5p
Domestic (outbuildings) Local Market	63p	10.5%	69p
Domestic (garaging & parking) (non-owner- occupied) Local Market	£1.25	10.5%	£1.38
Domestic (whole unit) Open Market	£1.25	10.5%	£1.38
Domestic (flat) Open Market	£1.25	10.5%	£1.38
Domestic (glasshouse) Open Market	5p	-	5p
Domestic (outbuildings) Open Market	63p	10.5%	69p
Domestic (garaging & parking) (non-owner- occupied) Open Market	£1.25	10.5%	£1.38
Domestic (whole unit) Social Housing	Zero	-	Zero
Domestic (flat) Social Housing		-	Zero
Domestic (glasshouse) Social Housing		-	Zero
Domestic (outbuildings) Social Housing		-	Zero
Domestic (garaging & parking) (non-owner-occupied) Social Housing	Zero	-	Zero
Hostelry and food outlets	£5.25	5.0%	£5.50
Self-catering accommodation	£3.30	5.0%	£3.45
Motor and marine trade	£4.45	5.0%	£4.65
Retail	£9.05	5.0%	£9.50
Warehousing	£4.80	5.0%	£5.05
Industrial and workshop	£3.85	5.0%	£4.05
Recreational and sporting premises	£2.25	5.0%	£2.35
Garaging and parking (non-domestic)	£4.80	5.0%	£5.05
Utilities providers	£37.55	5.0%	£39.45
Office and ancillary accommodation (regulated finance industries)	£35.05	5.0%	£36.80
Office and ancillary accommodation (other than regulated finance industries)	£11.70	5.0%	£12.30
Horticulture (building other than a glasshouse)	5p	-	5p
Horticulture (glasshouse)	5p	-	5p
Agriculture	5p	-	5p
Publicly owned non-domestic	Zero	-	Zero
Exempt (Buildings)	Zero	-	Zero
Buildings – Penal Rate	Zero	-	Zero
Development buildings (domestic)	63p	10.5%	69p
Development buildings (non-domestic)	£5.00	5.0%	£5.25

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	2016 TRP rate per unit	Proposed increase	2017 Proposed TRP rate per unit
<i>Land (all zero-rated for Alderney and Herm):</i>			
Communal (flat) Local Market	17p	10.5%	18p
Communal (flat) Open Market	17p	10.5%	18p
Hostelry and food outlets	33p	10.5%	36p
Self-catering accommodation	33p	10.5%	36p
Motor and marine trade	33p	10.5%	36p
Retail	33p	10.5%	36p
Warehousing	33p	10.5%	36p
Industrial	33p	10.5%	36p
Recreational and sporting premises	33p	10.5%	36p
Office and ancillary accommodation (regulated finance industries)	£1.09	10.5%	£1.20
Office and ancillary accommodation (other than regulated finance industries)	36p	10.5%	40p
Utilities providers	33p	10.5%	36p
Approved development site	£1.09	10.5%	£1.20
Domestic Local Market	17p	10.5%	18p
Domestic Open Market	17p	10.5%	18p
Horticulture	17p	10.5%	18p
Agriculture	17p	10.5%	18p
Domestic Social Housing	Zero	-	Zero
Publicly owned non-domestic	Zero	-	Zero
Exempt (Land)	Zero	-	Zero
Land – Penal Rate	Zero	-	Zero
Garaging and parking (non-domestic)	33p	10.5%	36p

4.56 The following table illustrates the effect of the increase in TRP rates on different domestic properties:

TRP of Property	Current TRP Annual	Increase in TRP Annual	Proposed TRP Annual
75	£94.05	£9.45	£103.50
150	£188.10	£18.90	£207.00
225	£282.15	£28.35	£310.50
300	£376.20	£37.80	£414.00
375	£470.25	£47.25	£517.50

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Document Duty

4.57 In April 2015, following consideration of The Joint Report, the States resolved, inter alia:

“To direct the Treasury and Resources Department to review the structure of Document Duty as part of the ongoing budgetary process.”

4.58 The current system of Document Duty is applied on what is termed a ‘slab’ system whereby as the property value increases a larger percentage of duty is charged on its entire value. The current rates of Document Duty for domestic dwellings are:

- 2% of the total value for transactions of £250,000 or less;
- 2.5% of the total value for transactions between £250,001 and £400,000;
- 3% of the total value for transactions between £400,000.

For all other transactions (i.e. those not for a domestic dwelling), the Document Duty rate is 3%.

4.59 The main body of The Joint Report included:

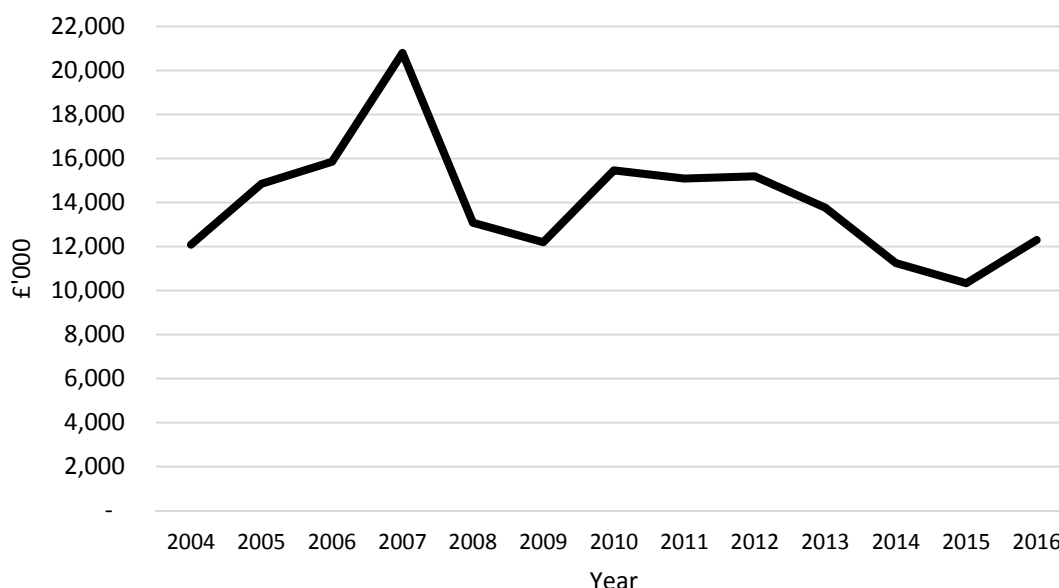
“Document duty, the tax paid on the purchase of a property in Guernsey, is one of the most volatile revenue streams in the current budget being dependent on both the number and value of property sales made.

As currently structured, for low value sales, document duty is high relative to equivalent charges in the UK and Jersey, and this may represent a barrier to entering the housing market for some people. At higher values, document duty charged in Guernsey is lower than that charged in either the UK or Jersey and there may be some scope for a limited increase in document duty on high value transactions.

Furthermore the systems in both the UK and Jersey each apply a more sophisticated, graduated system of charges. Moving to a similar system in Guernsey could have two benefits: it would avoid step changes in the cost of purchasing a property as the property value increases; and it could also ease any distortion to the housing market these step changes may be causing (For example, a property advertised at a value just above the band threshold may be subject to a greater downward pressure on its eventual sale price to bring it in to a lower band than a property advertised at a value just below the band threshold).”

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4.60 The following graph details the amount of Document Duty received over the last 12 years and highlights the volatility of this income source which is very sensitive to the health of the property market:



4.61 For 2016, the Budget Estimate was £11.8million. As a result of the marked improvements in transaction volumes in the second quarter of 2016, this estimate has been revised upwards to £12.3million. This upturn is anticipated to continue into 2017 and, therefore, the 2017 Budget Estimate is £12.8million. In addition, it is estimated that income from Document Duty on the registration of bonds (which is when a lender registers a charge against a property to secure a loan it has made to the property owner) will be £1.9million per annum.

4.62 The Policy & Resources Committee is **recommending the introduction, from 1 January 2017, of a graduated system of Document Duty whereby progressively higher rates only apply to the proportion of the property value which falls in each band with the following rates and bands:**

- **2% on up to £250,000 of the transaction value;**
- **3.25% on up to the next £150,000 (i.e. the portion from £250,001 to £400,000);**
- **3.5% on up to the next £350,000 (i.e. the portion from £400,001 to £750,000);**
- **3.75% on up to the next £250,000 (i.e. the portion from £750,001 to £1,000,000);**
- **4% on the remaining amount (i.e. the portion above £1,000,000).**

4.63 These rates have been calculated to be 'revenue neutral' and, therefore, assuming no change to the number and value of transactions, would raise the same amount of Document Duty income as under the existing 'slab' system. Those benefitting most from this revision would be conveyances at or around the value of average house prices - a transaction at the median value of £435,000 would pay £1,950 less in Document Duty (£11,100 compared to £13,050).

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4.64 The following table shows examples of the change in Document Duty payable for a range of transaction values:

Transaction Value £	Current Document Duty Payable £	Proposed Document Duty Payable £	Change in Document Duty Payable £
250,000	5,000	5,000	-
300,000	7,500	6,625	(875)
400,000	12,000	9,875	(2,125)
500,000	15,000	13,375	(1,625)
600,000	18,000	16,875	(1,125)
700,000	21,000	20,375	(625)
800,000	24,000	24,000	-
900,000	27,000	27,750	750
1,000,000	30,000	31,500	1,500
1,500,000	45,000	51,500	6,500
2,000,000	60,000	71,500	11,500
3,000,000	90,000	111,500	21,500
4,000,000	120,000	151,500	31,500
5,000,000	150,000	191,500	41,500

4.65 The 'break-even point' where the same amount of Document Duty would be paid under the proposed graduated system as under the existing 'slab' system is £800,000. All transactions below this value would pay less Document Duty and the Policy & Resources Committee is of the view that this will provide a stimulus to the lower and middle sections of the housing market and further encourage the recovery currently being experienced. After a period of low sales and falling prices, data from the second quarter of 2016 shows a marked increase in the number of local market residential property sales. The house price-to-earnings ratio, a measure of housing affordability which peaked at more than 16 in 2012 fell to 13.8 in March 2016, suggesting that the improvement in the market, at least in part, is a result of house prices moving to a more affordable level. In reducing transaction costs for the conveyance of low and middle value properties, the Committee hopes to support the change in the market and strengthen the growth in sales.

4.66 There will be provisions to enable refunds of the additional Document Duty paid if prior to the date of publication of the Budget Report a legally binding agreement has been entered into for a conveyance to be executed and registered on or after 1 January 2017.

4.67 The Committee will monitor the effect of this revision to the Document Duty regime and, if appropriate, will recommend further changes to Document Duty rates and thresholds in future Budget Reports. Furthermore, the Committee will continue to review whether the current structure of Document Duty is appropriate and will monitor changes in other jurisdictions and consider whether they might be appropriate for further investigation for possible introduction in Guernsey.

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- 4.68 In respect of the introduction of a Share Transfer Duty regime in Guernsey which taxes sales of interests in entities that own either commercial or domestic real property in Guernsey at the same rate as applied under the Document Duty Law for standard conveyances, the Committee has continued to consult with the Guernsey Bar Council and other interested parties on the draft legislation and is intending to submit a Policy Letter for consideration shortly.

Increased business contribution

- 4.69 In order to ensure the Island has world-class connectivity, including digital and transport links, substantial future investment is likely to be required. The Policy & Resources Committee is of the view that it would be appropriate to consider, in light of the current fiscal position, whether those who would receive the most commercial benefit from this investment should make a financial contribution to the Island for the use of these resources.
- 4.70 It is of the view that such a measure may be necessary in order to reduce reliance on the existing tax base and to secure an appropriate return on the use of public assets. Therefore, the Policy & Resources Committee is intending **to investigate options for the States of Guernsey to receive greater revenue from those businesses that might benefit from such public investment** and report back in the 2018 Budget Report. This investigation will include, but not be limited to, consideration of the appropriate level and scope of General Revenue income generated from telecommunications and non-regulated professional services businesses and partnerships, such as accountants and advocates.

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Section 5: Health and Social Care Services

Background

- 5.1 Health and social care services have suffered significant budgetary challenges in recent years resulting in a number of overspends and substantial increases to budget. In 2015, a major project was undertaken to fully cost the services being provided and analyse the drivers for cost increases in order to establish with some certainty whether the services were over- or under-funded. At the same time a benchmarking exercise was undertaken in order to better understand the cost of the services relative to peers and therefore identify areas where a reduction in cost might be possible.
- 5.2 As part of the 2016 Budget Report, the findings of that exercise were published (including the Executive Summary of the Report) which recommended a baseline revenue Cash Limit for the Health and Social Services Department of £119.65million which was £8.2million, or 7.6%, higher than the indicative Cash Limit which had been set within the States' Fiscal Policy.
- 5.3 In order to ensure that the existing services were appropriately funded, the States decided to make a medium-term exception to the Fiscal Policy of a real-terms' freeze on aggregate States' revenue expenditure to allow this additional £8.2million of *temporary* funding to be made available to health and social care services without having seriously to impact the services of all other Departments in the short-term.
- 5.4 The Health and Social Services Department requested a 2016 Cash Limit of £118.5million (i.e. £1.15million less than the baseline proposed through the detailed costing work). At the time, the Treasury and Resources Department wrote in the 2016 Budget Report that:

"The Health and Social Services Department has compiled a budget for 2016, excluding any transformational funding, which totals £118.5million (i.e. £7.05million more than the indicative Cash Limit) but incorporates as yet unidentified efficiency savings of £1.9million. The Treasury and Resources Department supports the commitment of the Health and Social Services Department to delivering such efficiencies but considers it even more important that a transformation programme for the services is properly planned and initiated in order to realise the potential savings as identified by BDO ranging between £7.4million (on a prudent risk-adjusted basis) and whole service savings of up to £24million per annum. The Treasury and Resources Department therefore considers it prudent to request that the full £8.2million additional funding be allowed within the revenue Cash Limit (£7.05million) and as a specific provision within the Budget Reserve (£1.15million). If the Health and Social Services Department is indeed able to deliver all of the £1.9million in 2016, this will result in an underspend on the overall budget. The Treasury and Resources Department considers that this is an appropriate, risk-adjusted and fiscally prudent response."

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- 5.5 The main finding from the Costing Benchmarking & Prioritisation Project was that: *“Health and care services resident within both Health and Social Services Department and Social Security Department budgets are 17% more expensive than peer group. This translates into a potential annual saving of £24million against health and care costs of £139.0million deliverable over 7 to 10 years. A prudent risk-adjusted assessment of potential efficiency gains deliverable within the Health and Social Services Department budget alone identified annual savings of £7.4 million deliverable over a 3 to 5 year period against total [baseline] costs of £116.6million^e equating to 6%.”*
- 5.6 The additional funding was provided to health and social care services on a temporary basis in order to be able to fund the existing service model while whole system transformation was being designed and tactical, productivity and efficiency savings being planned and delivered. The profile of net changes to the baseline as a result of delivery of these savings was estimated to be a reduction of £3.5million in 2017, a further £0.9million in 2018 and the balance in future years totalling £7.4 million.

Financial Performance in 2016

- 5.7 Net expenditure in 2016 has been higher than budget throughout the year to date although the rate of expenditure has slowed in recent months. The Committee *for* Health & Social Care is currently forecasting an overspend against its authorised budget of £3.8million due to pressures on off-island expenditure and continued reliance on agency staffing.
- 5.8 The Policy & Resources Committee will be transferring the £1.15million which the Treasury & Resources Department recommended was held in the Budget Reserve to cover such eventuality to the Committee *for* Health & Social Care which will reduce the forecast overspend to £2.65million in 2016.

Budget for 2017

- 5.9 The Committee *for* Health & Social Care and the Policy & Resources Committee began with a significant gap in respect of the budget for 2017. The Policy & Resources Committee calculated its indicative Cash Limit as set out below:

	£m
Approved baseline	119.65
2016 adjustments and transfers	(0.25)
Savings (as per Costing, Benchmarking & Prioritisation Report)	(3.50)
Indicative Cash Limit	115.90

- 5.10 However, the Committee *for* Health & Social Care requested a budget for 2017 of £121.5million following a budget setting exercise across its service areas.

^e This excludes any allowance for inflation.

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- 5.11 Following extensive dialogue between officers and political Members, the Policy & Resources Committee is now recommending a Cash Limit for the Committee *for* Health & Social Care of £120.1million which includes an uplift on parts of the non-pay budget in recognition of certain inflationary cost pressures and has been accepted by the Committee *for* Health & Social Care. The Policy & Resources Committee considers that it would not be appropriate or realistic to set a budgetary target for tactical, productivity and efficiency savings in 2017 given the significant political and civil service changes during 2016; the delay in commencing the transformation programme; and the financial pressures being faced in 2016. Rather, the Committee believes that the 2017 budget should be set at a realistic level to deliver the current service model and to allow further time for planning and commencing delivery of transformation and change activities.
- 5.12 The Committee *for* Health & Social Care faces financial risk and uncertainty in relation to off-island care, and can see large rises in expenditure as a result of increased incidences of high cost procedures. The Policy & Resources Committee has agreed with the Committee *for* Health & Social Care that it is not practical or affordable for it to budget for all such occasions. Therefore, should in-year pressures on this budget become apparent due to such events, the Policy & Resources Committee will use the Budget Reserve to increase the authorised budget. Notwithstanding this, in the opinion of the Policy & Resources Committee, it is vital that expenditure is managed within the overall authorised budget in 2017.
- 5.13 In addition, planning and delivery of tactical, productivity and efficiency savings must commence in 2016 so that initiatives can be implemented during 2017 as it will be **the intention of the Policy & Resources Committee to recommend reductions in the Cash Limit in future years in line with the findings of the Costing, Benchmarking & Prioritisation Project, previous decisions of the States and the requirements recommended across other spending Committees in order to eliminate the deficit.**

Transformation

- 5.14 The Policy & Resources Committee is committed to working with the Committee *for* Health & Social Care to ensure that a sustainable model of health and social care is developed and implemented. Affordability is one of the key drivers underpinning the need to transform the delivery of health and social care services. Historic and current cost pressures have resulted in difficulties in controlling expenditure, overspends against budget in recent years, and the need to substantially increase the allocation of funding to the Committee *for* Health & Social Care. However, unless fundamental changes are made, this position is expected to materially deteriorate. The dependency ratio, an indication of how many people each member of the working population is supporting, helps describe the mounting cost pressures for these services. In 2014, the dependency ratio in Guernsey was 0.53. This is projected to increase to up to 0.80 by 2040 which means that an increased burden will be placed on the working age population. Such an increase, without fundamental reform will result in demand for greatly increased health and social care budgets to be funded by a declining number of taxpayers.

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- 5.15 In addition to these cost pressures related to an ageing demographic, health and social care services face rising costs for new drugs and therapies which enable people to survive previously fatal conditions which, in turn, lead to further demand and cost pressures on the system.
- 5.16 As part of the 2016 Budget Report, the States approved funding of up to £1million from the Transformation and Transition Fund for the development of the Transforming Health and Social Care Services programme.
- 5.17 A programme mandate has been developed, setting out both the business need and investment objectives for the programme. The agreed mandate has, as its primary objective, the need for the transformation of health and social care services to ensure that *“by 2025, we have designed, built and transitioned to a delivery model for these services that is both sustainable and affordable within the context of the long term fiscal and demographic forecasts.”* Transition to the new model for health and social care must secure:
1. Greater efficiency of services provided – in order to cope with increasing demand on services;
 2. Reduced cost of services – with lower unit costs releasing recurring savings capable of being re-invested to meet increasing demand or new or improved services; and
 3. Improve quality – ensure all health and social care services consistently deliver against appropriate professional standards and service user/patient commitments.
- 5.18 Funding was approved to complete the initiation of the programme including establishing a vision for the transformed services, setting out the specific activities required in order to deliver transformation, clarifying the risks and issues associated with the programme and estimating costs.
- 5.19 Following the completion of this work, in June 2016, a programme brief setting out the proposed approach for the development of a new delivery model for the island’s health and social care services and measures to improve operational controls and sustainably reduce costs was approved by the Committee *for* Health & Social Care and the Policy & Resources Committee.
- 5.20 In July 2016, the Policy & Resources Committee approved the release of further funds to establish a core programme team and accelerate the delivery of a range of measures to improve operational controls and control/reduce costs. In total, £432,000 of the prioritised amount of £1million has been approved to date.
- 5.21 The Committee *for* Health & Social Care intends to lay its detailed plans for system transformation before the States before the end of 2017. Such plans will need to clearly articulate the problem needing resolution, the options considered, the proposed changes, the benefits of change (both financial and non-financial) and the quantum of the ‘reform dividend’, how these benefits will be measured, how much the change will cost (including the cost of transition) and what the risks are to successful delivery.

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- 5.22 The Policy & Resources Committee considers it important that the States do not lose sight of the scale of potential savings to the baseline by delivering on the large and complex transformation which will be unavoidable if we are to fund the growing demand for healthcare services. The Committee therefore strongly supports the work already commenced by the Committee *for* Health & Social Care to design and transition to a delivery model for health and social care services that is both sustainable and affordable.
- 5.23 While this whole system transformation planning is underway, it is vital that a programme of tactical, productivity and efficiency savings is put in place in order to deliver benefits in the short term. The Policy & Resources Committee acknowledges that there are likely to be costs associated with some of these projects and that further investment and support will be required if the Committee *for* Health & Social Care is to succeed in reducing its baseline costs.
- 5.24 Therefore, in order to secure the delivery of such savings, the Policy & Resources Committee is **recommending an increase of £500,000 in its delegated authority to approve funding from the Transformation and Transition Fund for the Transforming Health and Social Care Services programme.** The Policy & Resources Committee would use its delegated authority to fund discrete low-risk projects which have clearly defined financial benefits and can be delivered in the short-term, contributing to delivery of tactical, productivity and efficiency savings which will reduce the baseline budget of the Committee *for* Health & Social Care.

Funding Health and Social Care

- 5.25 The Policy & Resources Committee is conscious that the public funding of health and social care services (including those that are directly provided or commissioned by the States, and those, such as prescriptions or primary care, that are subsidised) currently has multiple sources. Services are funded through either General Revenue, allocated to and managed by the Committee *for* Health and Social Care, or by the Health Service Fund, collected and managed by the Committee *for* Employment and Social Security. In effect, this means that multiple bodies make decisions about the allocation of funding to health services, and shape health policy-making by doing so.
- 5.26 It also means that the costs of the health and social care system are not fully transparent to the public or the States (the Health Service Fund accounts, for example, are considered within the Miscellaneous Accounts, whereas spending by the Committee *for* Health & Social Care forms part of the States' Accounts) – nor is it always possible to see the full benefits of transformation. For example, a change in the way services are delivered by the Committee *for* Health & Social Care such as the recent introduction of video-conferencing, is likely to result in more savings to the Committee *for* Employment & Social Security rather than to its own budget. These quirks in the system present barriers and disincentives to the full transformation of health and social care, which the Policy & Resources Committee consider should be removed. Therefore, following a request from the Committee *for* Health & Social Care, the Committee has been considering ways in which such barriers or disincentives might be addressed.

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- 5.27 In line with the resolutions from the Joint Report, the Policy & Resources Committee is also seeking to examine ways to make the tax and contributions system as a whole more progressive. The current system of part funding through social security contributions has issues with 'distributional equity' given the different rates charged for various categories of contributions and age; the lack of an allowance and the fact that contributions are not levied on all income in all cases.
- 5.28 Initial consideration has shown that there are options which might be able to tackle some of the underlying equity issue in the current social insurance system; make the overall collection of taxes and contributions more progressive by applying an allowance; and provide a more transparent funding mechanism which places all spending on health and social care services directly under the control of that Committee, thus enhancing financial control and transparency.
- 5.29 The Policy & Resources Committee has had initial discussions with the Committee *for* Employment & Social Security on this matter and agreed that there is merit in examining the options in more detail and exploring all of the risks and opportunities. Therefore, the Committees are intending to work together over the next year, in consultation with the Committee *for* Health & Social Care, in considering the reform of health service funding and will report back with proposals as part of the 2018 Budget Report.
- 5.30 This type of funding reform will help deliver transformation in this critical area and, as such, the Policy & Resources Committee intends to use its existing delegated authority to approve funding from the Transformation and Transition Fund to enable the Committees to carry out the review.
- 5.31 A grant is currently paid from General Revenue each year to the Health Service Fund which is calculated at 12% of the contributions collected for that Fund and is expected to total £4.7million in 2017.
- 5.32 In advance of this work and in recognition of the General Revenue funding challenges in respect of health and social care services set out above the Committee *for* Employment & Social Security and the Policy & Resources Committee have agreed to **recommend that no grant is made from General Revenue to the Health Service Fund in 2017 only**. This recommendation is being made given that, according to the recent actuarial valuation of the Fund, the Health Service Fund contributions are above the break-even level with the balance on the fund expected to grow to some 3.3 times cover over the valuation period.
- 5.33 The Policy & Resources Committee considers that this is a proportionate measure given the overall demands on General Revenue funding and is appropriate given the specific shortfall in relation to funding health and social care services in 2017. As set out earlier in this section, this shortfall has arisen due to the delay in establishing a transformation programme and the cost pressures being managed in 2016 in respect of agency staffing and off-island treatment and therefore the Committee *for* Health & Social Care and the Policy & Resources Committee remain confident that benefits have only been delayed.

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- 5.34 It will however be necessary to take this reduction into account as part of the planned joint working in respect of future funding models and, if necessary, to ensure this funding is subsequently restored.
- 5.35 As this reduction in General Revenue Expenditure of £4.7million will partially offset the continuation of the temporary additional funding of £8.2million for health and social care services, the Policy & Resources Committee is **recommending that the objective in the Fiscal and Economic Plan which provides for a real-terms' freeze in aggregate States' revenue expenditure should exclude the net additional overall expenditure amount of £3.5million.** This will allow the States to continue to make the necessary investment in health and social care without having seriously to impact the services of all other Committees in the short term.

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Section 6: Expenditure Proposals

Implementation of the States' Review Committee proposals

- 6.1 The revised organisational structure of the machinery of government, as agreed by the States following consideration of the States' Review Committee proposals, was implemented during early 2016. All Budgets included in this Budget Report, including the detailed Budgets in Appendix II are based upon the new structure and 2016 Cash Limits and 2015 Accounts have been restated for comparative purposes.
- 6.2 The reorganisation of budgets has included all costs for Finance and Human Resources being collectively budgeted; this is included within the Corporate Functions budget which is accounted for within the Policy & Resources Committee. This has resulted in 2016 budgets of £2.1million (Finance) and £2.8million (Human Resources) transferring from other budgets to the Policy & Resources Committee. A similar exercise for Information Systems & Services is in progress and budget transfers will be made later in the year.

Costing, Benchmarking and Priority-Based Budget Setting Reviews

- 6.3 As agreed in the 2016 Budget Report, the Policy & Resources Committee has commissioned, funded from the Budget Reserve, projects to undertake detailed costing analysis of the current services provided by the Committees *for* Education, Sport & Culture and Home Affairs, benchmarked to comparable models in other jurisdictions and then used to inform efficient priority based budgets. The contract for these assessments was awarded to PricewaterhouseCoopers and they are currently in progress, with the full support and co-operation of both Committees, with the final reports expected in February 2017. These reviews will enable evidence-based decisions to be made on the future allocations to those Committees including the appropriate level of future years' budget reductions.

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2017 Cash Limits

- 6.4 The expenditure budget for 2017 has been set on the basis of no real-terms' growth in revenue expenditure. In determining the limit of all expenditure, the June RPIX figure of 0.6% is applied in the calculation in order to avoid the complications that occur if an estimate is used.
- 6.5 The Committee is recommending that 2017 total Cash Limits are set at £373million calculated as follows:

	Note	£m
2016 Cash Limits		382.6
Less allowance for late delivery of Financial Transformation Programme (FTP) Targets	1	(1.1)
Less additional budget allocated to the Committee <i>for</i> Health & Social Care	2	<u>(8.2)</u>
		373.3
Reflate 2016 Cash Limits using June 2016 RPIX (0.6%)		2.3
2017 'Base' Cash Limits		375.6
Allowance for late delivery of FTP Targets	1	0.5
Additional allocation to the Committee <i>for</i> Health & Social Care (net of no grant from General Revenue to the Health Service Fund)	2	3.5
Less 3% budget reduction	3	(6.6)
2017 Recommended Cash Limits		373.0

- 6.6 **Note 1** - In 2016, an allowance of £1.1million was included within individual Cash Limits to recognise that there were cases where Departments have identified and initiated projects which have certain and ongoing benefits at least equal to the balance of their FTP Target by the end of 2015, but a full year's benefit may not be achieved until 2017 or subsequent years.
- 6.7 The Committee *for* Education, Sport & Culture's recommended 2017 Cash Limit includes £500,000 whereby FTP benefits will not be received until 2018 and subsequent years including in respect of the final two years of implementation of changes to the grants to the Colleges. The Committee also has £136,000 of FTP benefits which it plans to realise in 2017; this balance has now been added onto the 3% budget reduction.
- 6.8 **Note 2** – As set out in paragraph 3.7, it is recommended that, in the same way as in 2016, for 2017 the objective within the Fiscal and Economic Plan for a real-terms' freeze in aggregate States' revenue expenditure should exclude the additional £8.2million of budget allocated for the Committee *for* Health & Social Care. As set out in paragraph 5.32, this has been partially offset by the recommended suspension in 2017 of the grant from General Revenue to the Health Service Fund.

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6.9 **Note 3** – As set out in paragraph 1.15 a real-terms’ reduction of 3% (i.e. a cash reduction of 3.6%) has been applied to all expenditure excluding:

- Non-Formula Led expenditure as, once the rates have been set, there is no scope to influence expenditure levels;
- Committee *for* Health & Social Care which is subject to a separate efficiency programme; and
- Overseas Aid & Development Commission whose allocation is subject to a specific States’ resolution.

The requirement for a real-terms’ reduction in all other expenditure effectively means that, in calculating overall Cash Limits, no provision can be made for any pay awards in 2017. The financial position is such that the aim is to maintain all pay rates at as close to their 2016 levels as possible and that, if restraint is not exercised, any increases that could not be met by use of the Budget Reserve would undoubtedly result in a requirement to reduce expenditure elsewhere, including through a reduction in staffing numbers.

Of the total budget reductions of £6.6million, £2.4million has been identified and removed from budgets and £4.2million is yet to be specifically identified with Committees actively working to develop initiatives for delivery of these balances and finalise plans for their implementation.

Committee Cash Limits

6.10 The recommended Cash Limits for 2017 include adjustments in respect of the following:

- The transfer of £1.264million from the Formula Led budget of the Committee *for* Employment & Social Security to the Committee *for* Education, Sport & Culture in line with the States’ decision of December 2015 (Billet d’État XX, 2015) to part-fund pre-school education by a £2.40 per child per week reduction in Family Allowance from 1 January 2017.
- A small number of other low value inter-Committee transfers where responsibility for a service has transferred between States’ Committees;
- Allowance for all settled pay awards (£2.6million);
- An inflation allowance on Non-Formula Led non-pay costs for the Committee *for* Health & Social Care (£680,000);
- A small number of cyclical, one-off and other low value items.

6.11 Within their agreed Cash Limits, Committees have to consider very carefully their own priorities. The Policy & Resources Committee does not ‘micro-manage’ individual Committees’ budgets, as this is the responsibility of the Committees concerned.

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6.12 The recommended Cash Limits for 2017 are detailed in the following table. (Full line by line details of the 2017 budgets are included as Appendix II):

	Note	2017 Revenue Cash Limit £'000s	2017 Routine Capital £'000s	2017 Total Cash Limit £'000s	2016 Restated Cash Limit £'000
Policy & Resources					
General		26,950	625	27,575	28,294
Formula Led		1,900		1,900	2,010
Economic Development		6,385	50	6,435	6,597
Education, Sport & Culture	1	77,995			
Timing of delivery of FTP Benefits		<u>500</u>			
		77,445	400	77,845	79,529
Employment & Social Security					
General		11,365		11,365	11,592
Formula Led	2	54,040		54,040	60,605
Environment & Infrastructure	3	12,005	3,175	15,180	16,102
Health & Social Care		120,100	750	120,850	117,767
Home Affairs	4	32,060	300	32,360	33,226
Scrutiny Management	5	553		553	570
Development & Planning		1,475		1,475	1,520
Overseas Aid & Development	6	2,915		2,915	2,885
States Trading Supervisory		1,540	700	2,240	2,054
Royal Court		2,460		2,460	2,740
Law Officers		4,530		4,530	4,700
States of Alderney		1,830		1,830	1,880
		357,553	6,000	363,553	372,071
Backlog property maintenance		-	1,500	1,500	1,500
Budget Reserve		4,947	3,000	7,947	9,029
		362,500	10,500	373,000	382,600

6.13 The Policy & Resources Committee was pleased to accept the offers by the Royal Court and Law Officers to set their recommended Cash Limits with reductions of £85,000 and £30,000 respectively, in addition to the 3% budget reductions.

6.14 **Note 1** – Committee *for* Education, Sport & Culture – this Cash Limit is calculated net of a transfer from the Lottery Appropriation Account of an amount not exceeding the revenue deficit of Beau Sejour Leisure Centre. As a result of the success of the Lottery, the amount budgeted to reduce Beau Sejour Leisure Centre's revenue deficit has increased by £300,000 to £625,000 and a commensurate reduction of £300,000 has been made to the Committee's recommended Cash Limit. This means that the net revenue cost of Beau Sejour Leisure Centre to General Revenue is only expected to be £35,000 in 2017.

In addition to the transfer of £1.264million from the Committee *for* Employment & Social Security to part-fund pre-school education, the recommended Cash Limit also includes funding of £192,000 for this purpose as directed by the States.

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6.15 **Note 2** – Committee *for* Employment & Social Security, after allowing for no grant to the Health Service Fund in 2017, the Formula Led expenditure is estimated to be approximately £500,000 below the total expected due mainly to a reduction in Supplementary Benefit expenditure. This decrease, which largely cancels out a similar real-terms' increase in 2016, allows restoration of the general amount held in the Budget Reserve, the level of which was reduced in 2016.

6.16 **Note 3** – Committee *for the* Environment & Infrastructure – In September 2014, the States agreed that the General Revenue funding for dairy farm management payments should be reduced by £1million in five equal steps over a five year period commencing on 1 January 2015. Therefore, the 2017 recommended Cash Limit takes into account a reduction of £200,000 as the third year reduction.

The recommended Cash Limit includes £1.625million in respect of the revenue costs associated with the implementation of the Integrated On Island Transport Strategy agreed by the States in July 2015 (Billet d'État XIV, 2015).

In accordance with the States decision of December 2015 (Billet d'État XX, 2015), the recommended Cash Limit includes £80,000 in respect of the Biodiversity Strategy.

6.17 **Note 4** – Committee *for* Home Affairs – In accordance with the States' decision of January 2016 (Billet d'État XXIII, 2015), the recommended Cash Limit includes net additional funding of £65,100 in respect of implementing the Domestic Abuse Strategy which has been made available through compensatory reductions in all other Cash Limits.

6.18 **Note 5** – Scrutiny Management Committee – In February 2016 (Billet d'État IV, 2016), the States considered a Policy Letter from the Scrutiny and Public Accounts Committee entitled "The Scrutiny Management Committee – Powers, Resources and Impartiality" and, inter alia, resolved *"To agree that the Scrutiny Managements Committee will annually submit to the Policy & Resources Committee a budget request (not exceeding a Cash Limit of £936,000 for 2017), which will be considered in conjunction with all other committees' budget requests. If the Policy & Resources Committee is unable to recommend within the Annual Budget of the States a Cash Limit for the Scrutiny Management Committee at the level requested by that Committee, then the Policy & Resources Committee will reproduce in full in the Annual Budget the Scrutiny Management Committee's budget request and include the reasons why it is not recommending a Cash Limit at the level requested and the financial implications of approving a Cash Limit at the level requested."*

The Scrutiny Management Committee has advised that *"In light of the current financial position of the States, the Scrutiny Management Committee is not seeking an increase in its Cash Limit for 2017 and furthermore has reduced its budget submission to incorporate a 3% real-terms' reduction. Therefore, its 2017 budget submission of £555,000 is £381,000 lower than the maximum amount agreed by the States in February 2016. The Scrutiny Management Committee will, during 2017, consider its resource requirements for 2018 and future years in light of its planned programme of reviews and the financial position of the States and submit budget requests accordingly."*

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The Policy & Resources Committee commends the responsible financial approach being taken by the Scrutiny Management Committee. If the Scrutiny Management Committee is required / considers it beneficial to carry out an unplanned review for which it does not have sufficient budget, it is able to apply for funding from the Budget Reserve.

- 6.19 **Note 6** – Overseas Aid & Development Commission – the recommended Cash Limit has been set in accordance with the States’ resolution of January 2012 (Billet d’État III, 2012) in which it was agreed that the States maintains its current level of contribution to overseas aid plus an annual ring-fenced budget of £200,000 for emergency aid.

Budget Reserve

- 6.20 The Budget Reserve is the instrument used to manage overall budget contingencies and deal with any one-off, unexpected, in-year cost pressures. The Budget Reserve holds the allocation which it is expected will be transferred to individual Committees during the year. It is held centrally instead of being included within recommended Cash Limits as it is not known, with a sufficient level of detail or certainty, the amount which will be required by each Committee. Therefore, each Committee’s ‘Original Budget’ will increase during the year as this funding is released, for example, in respect of settled pay awards thus increasing ‘Original Budgets’ to become ‘Authorised Budgets’. Individual Committees do not routinely hold budget contingencies which invariably would not be fully utilised every year but funding is available from the Budget Reserve, if required. The portion of the Budget Reserve which is not earmarked for specific purposes is approximately £2million which is only 0.5% of total Cash Limits.

- 6.21 The 2017 Budget Reserve is £8million (2016:£9million) which includes:

- Allowance for variations in formula-led expenditure;
- Provision for increasing established staff budgets in case the assumed 5% level of underspend arising from staff turnover does not occur;
- Allowance for unanticipated / contingency / ‘emergency’ expenditure where there is a clear business case or demand / cost pressures that cannot be met by reprioritising existing budgets including if pay rates cannot be maintained at their 2016 levels. This allowance will also be available to fund any costs incurred in responding to ‘Brexit’ and the continuing court case regarding States’ employees’ pension arrangements;
- Allowance for transfers to Committees’ routine capital allocations, as there are a significant number of capital projects that may be progressed in 2017 but, at this stage, their timing or cost is not known with any degree of certainty.

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Routine Capital Allocations

- 6.22 Overall, approximately £3million of Committee routine capital allocations were brought forward into 2016 and additional allocations of £7.5million were approved in the 2016 Budget Report. Historically, routine capital requirements have been overestimated and, in most cases, fewer projects are carried out, and at a later time, than was included in the routine capital programme funding requests. Therefore, the recommended Committees' routine capital allocations for 2017 which are slightly lower than in 2016 do not accommodate all funding requests. However, the Budget Reserve includes a provision for transfers to Committees' routine capital allocations.
- 6.23 As part of addressing the 2016 in-year adverse financial position, all Committees were requested to review their routine capital allocations and consider whether any funding could be returned to General Revenue. The Committee *for* Education, Sport & Culture has undertaken a comprehensive review of its current capital programme and has removed, deferred or reduced in scope a number of projects which mean it is returning to General Revenue £690,000 of its current capital allocation. The Policy & Resources Committee is grateful for this substantial return of funding and thanks the Committee *for* Education, Sport & Culture for its wholehearted embracement of the need to address the 2016 deficit.
- 6.24 Since 2012, a specific amount of £175,000 per annum was ring-fenced for funding an ongoing schedule of planned preventative maintenance for elemental refurbishment of Les Beaucamps High School (as set out in the November 2010 States Report [Billet d'État XXIII, 2010]). The Treasury and Resources Department was firmly of the view that, whilst it fully supported plans to ensure that the school is maintained appropriately in order to maximise its useful life and deliver optimum value for money in return for the substantial capital sum expended, the funding mechanism of a sinking fund was not in accordance with existing States' practice, whereby such expenditure is planned and funded at the appropriate time through either routine capital allocation or as a Capital Reserve project. However, an amendment to the 2015 Budget Report directed the Treasury and Resources Department to:
- "continue to allocate for this purpose £175,000 per annum in subsequent years in addition to the Education Department's net routine capital expenditure budget"*
- 6.25 The Policy & Resources Committee is also of the view that a sinking fund approach for future expenditure is not necessary or affordable given the current demands for funding to meet present and high-priority expenditure requirements.
- 6.26 The Committee *for* Education, Sport & Culture has advised that it has agreed that the full balance (£875,000) of the routine capital allocation specifically held in respect of planned preventative maintenance for elemental refurbishment of Les Beaucamps High School can be returned to General Revenue and no objections will be raised to this 'sinking fund' being closed with no further annual appropriations of £175,000 being made.

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- 6.27 The Policy & Resources Committee commends the responsible stance taken by the Committee *for* Education, Sport & Culture and **recommends that the States agree to rescind their previous resolution in respect of the sinking fund and the immediate return of its current balance to General Revenue.**
- 6.28 The recommendations for routine capital allocations include a ring-fenced allocation of £1.5million (2015: £1.5million) specifically to fund backlog maintenance of property assets. The States Trading Supervisory Board's Property Services section will, in consultation with Committees, prepare a prioritised plan for carrying out the works. Approval of capital votes for individual projects is subject to the existing procedures (including in respect of the Policy & Resources Committee being able to exercise its delegated authority).

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Section 7: Capital Reserve

Update on Current Portfolio

- 7.1 There are nine projects, with total notional funding allocated of £35million, which were either prioritised as part of the original exercise or added later as urgent projects and remain in progress within the 2014-2017 portfolio:
- Replacement Fisheries Protection Vessel: Following the sursis (Billet d'État XVI, 2016) an independent survey has been carried out and its findings are being considered in relation the further development options for the project;
 - Guernsey College of Further Education: Options development and appraisal work is in progress;
 - Bus Fleet Replacement: The full business case for Phase one of the bus fleet replacement (12 Buses) has been approved and vehicles are expected to be delivered in the second quarter of 2017;
 - Alderney Airport - Runway Rehabilitation: an economic study on the impacts of the runway options has been undertaken so as to inform the development of the options in the outline business case with the report due for completion before the end of 2016;
 - Replacement Radiology Equipment: Room 3 equipment replacement is complete and room 1 is scheduled for completion before the end of 2016;
 - Income Tax Electronic Data Management System: The outline business case has been completed and assurance reviewed. The tender specification documentation is currently being developed;
 - Electronic Health and Social Care Record: The project is entering into its latter stages with work focused on areas relating to the Children's Information Database;
 - Storm Damage Repairs: Urgent repairs at Bulwer Avenue, Longue Hougue, Admiral Park, Fort Grey and Perelle were approved by the Treasury and Resources Department and work is ongoing; and
 - Guernsey Prison Fence Upgrade: The Committee *for* Home Affairs has chosen its preferred option and is proceeding to tender before completing the final business case.

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- 7.2 In March 2016 (Billet d'État XI, 2016) the States directed the Committee *for* Education, Sport & Culture to report back on *'the optimum changes to the education estate to give effect to the States' policies contained in Propositions 1 and 1A'*. Propositions 1 and 1A necessitate a full review of how secondary education is delivered from a three secondary school model with each school *'ideally of a broadly comparable size but in any event of a size capable of securing equality of opportunity for all students'* and with the 11 Plus admissions examination removed from September 2019.
- 7.3 Therefore, the La Mare de Carteret Schools Rebuild project has been removed from the 2014-2017 capital portfolio and the associated funding released to be available in the next funding period. The Committee *for* Education, Sport & Culture has submitted a bid for a schools rebuild project to be considered as part of this prioritisation round.
- 7.4 The States directed that funding be made available from the Capital Reserve to undertake essential capital works at La Mare de Carteret High School while planning is underway for the ultimate proposed solution. A capital vote has been opened with a value of £2million in respect of this work, of which £400,000 is forecast to be have been incurred by the close of 2016.

Funding

- 7.5 The 2016 Budget Report included: *"The Treasury and Resources Department recognises the importance of investment in the island's capital infrastructure, as evidenced by the substantial increase in appropriations in recent years, and in normal circumstances would be recommending maintaining the value of the baseline appropriation in real terms, which would give a 2016 transfer of £36.8million.*
- 7.6 *However, as a result of the current and forecast fiscal position for 2016, the Department considers that the most prudent and practical response is to temporarily reduce the appropriation from General Revenue to the Capital Reserve in order to achieve a balanced budget. Therefore, the Treasury and Resources Department is recommending that £18.3million is transferred to the Capital Reserve on 1 January 2016."*
- 7.7 As set out in Section 2, the deterioration in the in-year position means that the 2016 transfer will need to be reduced by a further £5.4million to £12.9million in order to deliver an in-year balanced position.
- 7.8 The 2016 budget for the Capital Reserve also included £10million of returns of capital from trading entities. The Policy & Resources Committee is pleased to advise that Guernsey Electricity Ltd and Guernsey Post Ltd are returning £4million and £6million respectively to the States of Guernsey, as shareholder, in the form of buyback of shares. In accordance with the States Trading Companies (Bailiwick of Guernsey) Ordinance 2001, **it is recommended that the States approve the repurchase of £4million of shares in Guernsey Electricity Limited and £6million of shares in Guernsey Post Limited.**
- 7.9 Therefore, the total value of transfers to the Capital Reserve in 2016 will be £22.9million, £13.9million less than the target appropriation, and £5.4million less than the 2016 Budget.

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- 7.10 In respect of 2017, returning to the policy of maintaining the value of the baseline appropriation to the Capital Reserve in real-terms would give a 2017 transfer of £37.9million. However, the forecast overall position for 2017 is such that, in order to remain in budget balance, there is a shortfall of £8.1million on this amount. Therefore, the Policy & Resources Committee is recommending **that £29.8million is transferred to the Capital Reserve on 1 January 2017.**
- 7.11 During 2015, the Treasury & Resources Department commenced work to determine the appropriate level of investment return that should be generated from the States' trading assets. The first phase of this work began by examining the financial structures and engaging with representatives of Guernsey Post Limited, Guernsey Electricity Limited and Guernsey Water. As a result a return of capital, as set out above, has been received by General Revenue.
- 7.12 It remains the view of the Policy & Resources Committee that *"these significant investments should generate a return to the States of Guernsey as shareholder, which in turn could be transferred to the Capital Reserve to be reinvested in future capital infrastructure"* and that applying a more commercial model and rigour to the trading assets can result in dividends and return of capital / equity to the States as owner with improved focus on efficiency to ensure that this does not detrimentally affect customers by resulting in fees and charges being increased.
- 7.13 In addition to the return of capital or equity, the States' Trading Supervisory Board (through States Property Services) is responsible for the management of the States' built estate. The Policy & Resources Committee has previously stated the intention to ensure that at least two States owned properties – Grange Road House and Cornet Street – are vacated by the end of 2017. This will enable a commercial options analysis to be undertaken to determine the best use of those assets, which could be commercial rental, internal use, or disposal (including to the Guernsey Housing Association). Any capital receipts from the disposal of property should be returned to General Revenue for transfer to the Capital Reserve.
- 7.14 Now that the States Trading Supervisory Board has been established, the Policy & Resources Committee intends to work closely with it in order to determine the appropriate level of return for General Revenue from all of the trading assets, both incorporated and unincorporated through designing appropriate capital structures, suitable dividend policies, disposal of assets and agreeing the level of investment return which the States, as shareholder, can expect. This should result in a regular income stream through dividends and capital income which can support the States' capital portfolio.
- 7.15 Given the Committee's view that a combination of clear financial targets and a rigorous governance model can ensure these benefits are released, it therefore **recommends setting the States' Trading Supervisory Board a target minimum contribution of £5million of capital return from the States' trading assets in 2017** and is budgeting on this basis. **It is recommended that return of capital from trading assets in 2017 be transferred to the Capital Reserve.**

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- 7.16 In addition, it is **recommended that the Belle Greve Wastewater Outfalls project which was funded from the Capital Reserve at a total cost not exceeding £19.9million is refinanced by Guernsey Water.** The total expenditure on this project is expected to be in the region of £19million.
- 7.17 This asset was acquired after the responsibility for wastewater transferred from General Revenue to Guernsey Water and funding from taxation revenues is not considered to be in line with the user-pays principle for funding expenditure by trading assets.
- 7.18 The States' Trading Supervisory Board will need to consider the future funding model for the States' trading assets, including changing from the existing 'save to spend' policy to one based on current consumers paying for the capital investment in the assets from which they benefit (through debt financing). This will enable the most appropriate mechanism for funding this transfer to be determined, which minimises the impact on current customers.
- 7.19 The Policy & Resources Committee has agreed to make available to Guernsey Water a loan from the proceeds of the States of Guernsey bond issue of a maximum of £19.9million over a period being the lower of thirty years or the expected remaining useful life of the asset at an interest rate of 3.625%. Guernsey Water has a secure income stream from water and wastewater charges which could be used to service this loan.
- 7.20 The following table details the estimated funding in the Capital Reserve up to 31 December 2020:

	£m	£m
Balance of the Capital Reserve	106	
Less 2014 – 2017 projects	(35)	
Less unspent balances on other open project votes	<u>(14)</u>	
		57
General Revenue Appropriations:		
2016	13	
2017	30	
2018	34	
2019	40	
2020	<u>41</u>	
		158
Refinancing of Belle Greve Outfall project		19
Capital Income:		
2016	10	
2017	5	
2018-2020	<u>24</u>	
		39
Other income (including investment return / transfers from Core Investment Reserve) less portfolio costs		34
Less allowance for urgent and emergency projects		(25)
Total estimated funding available for allocation		282

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- 7.21 There are forecast to be unspent balances on open capital votes in the Capital Reserve totalling £18million at the end of 2016 in respect of projects that were part of the 2014-2017 portfolio and earlier programmes, such as St Sampsons High School and the Crane Strategy projects. All open capital votes where work is substantially complete are being reviewed with the aim of closing votes, where appropriate, in order to release unspent amounts to supplement the funding for the capital portfolio set out above.
- 7.22 It is intended that £25million of the total available funding is set aside in order to fund unplanned urgent or emergency projects that arise rather than having to delay or remove prioritised projects from the portfolio. Any use of this funding will be in accordance with existing delegated authority in respect of urgent capital projects.
- 7.23 Therefore, a total of £282million is expected to be available from the Capital Reserve to fund the capital portfolio over the period 2017 – 2020 and the portfolio will be planned on this basis. There may, of course, be the opportunity for certain projects to be funded from another source including by a partnership with the private sector or through a loan from the proceeds of the States of Guernsey bond issue.

Capital Prioritisation

- 7.24 The 2016 Budget Report included that *“Given that a number of the projects included in the current portfolio have yet to develop in any material sense; that the portfolio remains over-committed with the majority of projects now estimated to cost more than original forecasts; increased uncertainty of funding given the proposed reduction in the appropriation to the Capital Reserve in 2016; and the changes in the economy and strategic plans since approval of the current portfolio; the Treasury and Resources Department is proposing that all projects which have not planned to have completed a fully assurance reviewed outline business case by the end of 2015 are then re-assessed and re-prioritised in 2016 along with all new bids.”*
- 7.25 Therefore, all projects in the 2014 – 2017 portfolio not largely complete or listed in paragraph 7.1, have been re-considered as part of the capital prioritisation exercise and scored against new proposals.
- 7.26 The approach taken by the Policy & Resources Committee in undertaking the capital prioritisation exercise has sought to build on previous experience and incorporate ‘lessons learned’. Proposals were invited from across the organisation by completion of an on-line form designed to gather all necessary information which was accompanied by a guidance booklet. This form captured the following information:
- Strategic alignment – with reference to the existing States Strategic Plan (which have now been mapped to the proposed Policy & Resource Plan objectives) and Public Service Reform themes;
 - Investment objectives – to understand the main reason(s) for the investment request such as compliance, improved efficiency or service continuity;
 - Complexity of the proposal in order to make an assessment on deliverability;
 - Capacity and capability to deliver the proposal;

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- The number of beneficiaries were considered, in line with previous multi-criteria analysis approaches, in order to recognise the breadth and depth of the potential impact of the proposal;
- At a high level, the case for change was considered in order to understand the current situation and the risk of not addressing it;
- All proposal submissions were expected to articulate the likely benefits – both quantitative and / or qualitative.

7.27 The estimated capital and revenue costs were captured in broad bands due to the inherent difficulties in assessing costs at an early stage.

7.28 A panel of senior officers was established to consider and rank the proposals. The panel met with all of the submitting teams to ensure that there was an opportunity to explain the background to the proposals and enable the panel to ask questions in order better to understand and challenge the proposal before scoring was finalised.

7.29 The proposals were then assessed and ranked in accordance with the strategic alignment and desired outcomes; investment objectives; benefits – with cash releasing benefits given a higher weighting; and the number of and anticipated level of impact on each type of potential beneficiary. This has not been a ‘tick-box exercise’. While a reasonably standardised approach is of value, judgment has also been exercised.

7.30 In May 2016, each new Committee was asked to confirm that all proposals submitted in respect of their mandated areas of responsibility remained a priority. As a result of this exercise, all proposals were confirmed and one additional proposal submitted. In total, 51 proposals were submitted with a total estimated capital value of approximately £690million.

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- 7.31 Given the number of proposals, the range of investment objectives and the difficulty in comparing such diverse initiatives, the proposals have been categorised in order to make it easier to understand the make-up of the pipeline projects and provide a clearer view of the large and complex portfolio. As the submitted value of the projects is significantly in excess of the projected funding available, it is proposed that each of the categories is allocated a proportion of the total funding. The three categories chosen and the proposed funding allocations are:

Category	Description	Percentage Allocation	Funding Allocated £m
Maintain	Maintain the operation of existing services (24 proposals totalling £275million)	30%	85
Transform	Transform service delivery, in line with Public Sector Reform (19 proposals totalling £282million)	50%	141
Grow	Benefit the island or a specific sector of the economy (8 proposals totalling £133million)	20%	56

- 7.32 A member of the Chief Executive's Management Team has been assigned to each category in order to lead its progression who will work closely with the portfolio team in order to further challenge and scrutinise the proposals within each category.
- 7.33 The Policy & Resources Committee wishes to ensure that consideration is taken of a range of matters in order to ensure that the final portfolio includes the 'right' projects with the 'right' scope from the outset to deliver a portfolio which is both achievable and affordable. Such matters will include the timing and scheduling of proposals, capacity and capability to deliver, risk, impact on suppliers and the need to continue to deliver 'business as usual'.
- 7.34 In order to ensure the portfolio integrates with and supports delivery on the objectives of the Policy & Resource Plan, the Policy & Resources Committee is intending to present a capital portfolio for approval in June 2017 to allow time to work through all of these important matters.
- 7.35 There is a significant amount of work required to develop proposals including examining all options; considering the impact of deferral; investigating alternative solutions; exploring all funding options (including alternative sources); undertaking feasibility analysis; and defining an affordable project scope. It is intended that funding is made available from the Capital Reserve to support the development of the initiatives to inform consideration of the portfolio by the States in June 2017.
- 7.36 Therefore, the Policy & Resources Committee intends to use its delegated authority to, following recommendation from the Chief Executive's Management Team, approve use of up to a total of £5million (less than 2% of the estimated total portfolio value) of the Capital Reserve to develop the pipeline projects such that it is able to recommend a sustainable capital portfolio in June 2017.

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Project Development

- 7.37 Following the initial prioritisation exercise, a small number of projects have been identified as discrete 'ready to go' projects which typically require a relatively low level of investment. The indicative value of these projects is £18million but it is anticipated that this will decrease as scope is agreed and specifications developed. These projects, are largely low risk but have the potential to create significant benefits across the organisation or community and will be ready to move into the delivery stage prior to June 2017. There is also the potential for several of them to directly contribute to the Public Service Reform objectives and help enable delivery of tangible financial benefits which will contribute to delivery of savings targets over the short-term.
- 7.38 In particular, the Policy & Resources Committee considers it essential that there is the ability to immediately progress the projects which will enable the rationalisation of office accommodation. It is imperative that use of States' property assets is maximised which will also improve service outcomes for Islanders and business.
- 7.39 The first step towards achieving this efficiency is the proposed property rationalisation programme to decant staff from two buildings – income tax at Cornet Street and education offices at Grange Road House – to Edward T Wheadon House, Sir Charles Frossard House and the King Edward VII site in order to be better aligned to the new structure of government and service demands.
- 7.40 It is planned that these buildings are vacated by the end of 2017 which will realise revenue savings through greater efficiency in staff, maintenance costs or commercial rental income and / or capital income through the disposal of the buildings. Capital funding has been requested in order to refurbish Sir Charles Frossard House and the King Edward VII site to facilitate these moves.
- 7.41 All of these 'ready to go' projects need to have their scope well-defined, benefits developed in more detail and costs challenged and it is unlikely that all could be concurrently initiated. Therefore, the Policy & Resources Committee will undertake an exercise to determine the optimum order in which these projects are progressed. It is **recommended that authority is delegated to the Policy & Resources Committee to open capital votes, not exceeding £10million in total, charged to the Capital Reserve following consideration of full business cases for progressing discrete low-value, low-risk projects or those that facilitate the rationalisation of the property estate.** This delegated authority will only remain in place until such time as the Policy & Resources Committee reports back on the capital portfolio in June 2017. The Committee will report full details on the use of these delegated authorities to the States.
- 7.42 In progressing projects, the Policy & Resources Committee has listened to and sought feedback on the current methods for developing capital projects, including a report from the Internal Audit Unit. These 'lessons learned' include the need for simple, clear and well communicated processes for the development of prioritised capital projects and further education and training for those responsible for their development. It is the intention of the Committee that revised, simplified and unified directives for the development of capital projects are completed before the end of 2016 and that all processes should continue to evolve in response to feedback.

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- 7.43 The Committee is seeking to ensure that there is a balance between the need to maintain momentum in the progression of prioritised schemes with the need for a robust business case upon which to base decisions to invest substantial amounts of public funds.
- 7.44 The Policy & Resources Committee considers there is a vital need to address the lack of clarity and agreement on project scope and scale at the outset that has caused disagreement in past schemes. The Committee's aim is to ensure that not only the right schemes are chosen, but that the options considered and developed are both sustainable and affordable.

Routine Capital Allocations

- 7.45 Currently, funding for routine capital votes (up to £500,000 for straightforward replacements and up to £250,000 for all other projects) is allocated to individual Committees. The Policy & Resources Committee is investigating whether it would support improved prioritisation and co-ordination of capital works by moving to a system whereby routine capital allocations are generally allocated to the broad functional areas of property, information and community technology, equipment and fleet management, together with continuation of separate allocations for roads' resurfacing and replacement of medical equipment.
- 7.46 This would enable the development of rolling programmes with funding allocated over several years which would enable better planning by the Heads of Profession who would be responsible for preparing a single prioritised budget submission for their area and submitting requests to open capital votes.
- 7.47 There would also be a review of the current delegation arrangements and funding thresholds with a view to increasing the value at which projects are funded from the Capital Reserve and funding all straightforward replacements from routine capital allocations.
- 7.48 The Policy & Resources Committee is intending to report back in June 2017 and will include recommendations for revising the approach taken to routine capital allocations.

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Section 8: Forecast

- 8.1 There are inherent difficulties in forecasting income and expenditure over extended periods, with increasing uncertainty the further ahead you look. However, the Policy & Resources Committee has compiled a four-year forecast of revenues and expenditure in order to commence planning for this term of Government and support the first phase of the Policy & Resource Plan.
- 8.2 Forecasting is entirely reliant on the chosen assumptions. Those used are both prudent and realistic:
- Negligible real-terms' growth in income tax receipts;
 - Personal income tax allowances maintained in real-terms;
 - No real-terms' increases in TRP (apart from domestic TRP where a real-terms' increase of 7.5% per annum is assumed in line with The Joint Report);
 - Document duty to increase by £500,000 per annum in real-terms to reflect the ongoing recovery in the housing market;
 - Reinstatement of the grant from General Revenue to the Health Service Fund from 2018 onwards;
 - A 5% per annum reduction in overall revenue expenditure excluding Formula-Led headings, Committee *for* Health & Social Care and Overseas Aid & Development Commission in each of 2018 and 2019;
 - A prudent allowance for the short-term additional funding for the Committee *for* Health & Social Care to reduce by £2million in 2018 and a further £1million in each of 2019 and 2020;
 - Appropriations to the Capital Reserve maintained in line with previous policy but reduced if necessary in order to balance the overall position (i.e. no deficit);
 - Any capital income is transferred to the Capital Reserve.

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8.3 The following table details the indicative income, expenditure and appropriations:

	2017 Budget Estimate £m	2018 Indicative Estimate £m	2019 Indicative Estimate £m	2020 Indicative Estimate £m
Revenue Income				
Income Tax	303	303	304	305
Other Taxes	79	80	81	81
Other Income	21	21	20	20
Revenue Income	403	404	405	406
Capital Income	5	8	8	8
Revenue Expenditure	(362)	(356)	(346)	(345)
Routine Capital Allocations	(11)	(11)	(11)	(11)
Operating Surplus	35	45	56	58
Transfer to Capital Reserve:				
Capital Income	5	8	8	8
General Revenue Appropriation	38	38	38	38
Reduction	(8)	(1)	-	-
Surplus	-	-	10	12

8.4 However, there are a number of risks and opportunities to the assumptions used in compiling these forecasts including:

- Notwithstanding that a very prudent assumption of negligible real-terms' growth in income tax receipts has been used, there are risks that either the level of income receipts deteriorates over the period, either through a general decline or as a result of 'economic shocks'.

Equally, there could be recovery and real-terms' growth in income receipts - modest growth of 1% per annum in each of 2018, 2019 and 2020 would result in nearly £10million of additional income from 2020 onwards;

- There is a risk of non-delivery of the 5% per annum reductions in overall revenue expenditure in each of 2018 and 2019 (£9million in each year); non-delivery of 50% of the total would virtually eliminate the projected surpluses;
- The demand for existing services and pressure for the introduction of new services may result in real-terms' increases in expenditure;
- The Committee *for* Health & Social Care may not generate the level of savings currently considered achievable and the short-term additional funding allocated becomes longer-term in nature.
- Capital income is not realised in line with projections resulting in pressure to increase appropriations from General Revenue in order to fund the portfolio.

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8.5 Once the States' financial position is no longer in deficit, there are a number of options for use of surpluses including:

- Reinvest the reform dividend in meeting demand for existing services or the introduction of new or enhanced services. This could mean, for example, funding the proposals for the reform of supplementary benefit approved following recommendations by the Social Welfare Benefits Investigations Committee or the cost pressures arising from the implementation of the Supported Living and Ageing Well strategy. Any such expenditure will need to be prioritised by the States once funding becomes available.
- Restoration of the General Revenue Account Reserve which is currently exhausted. The previous policy was to maintain this Reserve at 5% of annual expenditure (approximately £20million) in order to manage in-year shortfalls in income, short-term cyclical variations and other timing issues;
- Transfer to the Capital Reserve to compensate for the reductions necessary to balance the overall position in prior years (estimated to be £14million over the period 2016 – 2018);
- Appropriate to the Core Investment Reserve to reinstate the amount depleted during the period of funding deficits from reserves.

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Section 9: Other Matters

Economic Development Fund

- 9.1 As part of the 2015 Budget Report, the States approved *“the establishment of an Economic Development Fund with immediate effect by transferring £7,000,000 from the Contingency Reserve (Tax Strategy) and to delegate authority to the Treasury and Resources Department to approve use of this Fund”*.
- 9.2 In addition to this £7million, balances in respect of projects approved through the Strategic Development Fund totalling £2.1million were also transferred into the Fund.
- 9.3 The current uncommitted balance of the Economic Development Fund is £5million:

	£'000	£'000
Opening Balance	7,000	
Transfer from Strategic Development Fund	<u>2,100</u>	9,100
Initiatives approved:		
Guernsey Finance	(900)	
Visit Guernsey	(500)	
Innovation Centre (Digital Greenhouse)	(1,460)	
Locate Guernsey	<u>(1,200)</u>	(3,760)
Balance		5,040

- 9.4 The Fund is currently available to provide targeted support, for an initial investment period, for individual initiatives linked to the Economic Development Strategy whose objectives include the stimulation and promotion of sustainable growth in the Guernsey economy resulting in new or enhanced revenue streams for the States of Guernsey. Business cases for use of the Fund must demonstrate:

- New or enhanced growth for the economy;
- Evidenced and measurable benefits;
- Return on investment by way of revenue for the States of Guernsey.

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9.5 The draft Future Guernsey Programme for Government (in Phase one of the Policy & Resource Plan) highlights our aim to maintain a strong, sustainable and growing economy and recommends the following policy objectives:

- Ensure conditions that encourage and foster enterprise and remove barriers to business, keeping regulation appropriate and proportionate;
- Ensure the provision of reliable, sustainable and affordable sea and air links;
- Focus on maintaining an appropriately-sized working population;
- Look to remove barriers that are discouraging or preventing some people from pursuing or remaining in paid employment and provide additional support to those who need it to find and sustain employment;
- Promote Guernsey as an attractive place to work and live in order to encourage the retention of our current workforce, the return of those who have chosen to gain life experience in other jurisdictions, and to attract those who may bring valuable skills to the island; and
- Encourage the growth of digital and information businesses through the Economic Development Fund.

9.6 The continued strength of our economy is a critical foundation to supporting our quality of life and community. The Policy & Resources Committee considers that Government's focus should be on ensuring we have the right conditions for business to set up, grow and operate successfully.

9.7 A strong, growing and sustainable economy is critical in delivering sustainable public finances and real-terms' growth in States' revenues through new or enhanced tax receipts will, as long as accompanied by expenditure restraint, result in our target of budget surpluses.

9.8 The Policy & Resources Committee therefore considers that the existence of a Fund to support the economy remains essential. However, to support the objectives of Future Guernsey, the Committee believes that the name and criteria for use of the Fund should now be amended.

9.9 Therefore, it is **recommended that the Economic Development Fund is renamed as the Future Guernsey Economic Fund** and the Policy & Resources Committee intends to use its existing delegated authority to approve funding for initiatives which deliver on the six objectives above and which:

- Ensure we have the right conditions for business to set up, grow and operate;
- Improve or protect economic growth; and
- Have measurable economic and fiscal benefits.

9.10 Further, and to encourage and incentivise initiatives which deliver tangible fiscal returns, the Committee **recommends that 50% of any evidenced fiscal receipts to the States of Guernsey arising from measures funded from the Future Guernsey Economic Fund are re-invested in the Fund.**

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Transformation and Transition Fund

9.11 As part of the 2015 Budget Report, the States resolved to establish a Transformation and Transition Fund in order to recognise *“the significant investment required to deliver the public services of the future and the substantial policy agenda for the States.”* The overarching criteria to be demonstrated in any business cases for use of the Fund were set out as:

- Significant long-term transformation in the delivery of services;
- Evidenced and measurable benefits; and
- A return on investment.

9.12 As set out in the 2015 Budget Report, the outstanding commitments of the Fundamental Spending Review Fund and the balance of the Fund were transferred to the Transformation and Transition Fund at the end of 2014. In addition, a transfer was made from the Strategic Development Fund of £862,000 representing the £800,000 balance of that Fund together with the balance (£62,000) of the maximum funding of £100,000 allocated to developing the Children and Young People’s Plan.

9.13 In the 2016 Budget Report, the Policy Council and Treasury and Resources Department recommended that a number of initiatives and programmes be prioritised by the States to allow the planning work to develop and define these important programmes to progress to the point where they are ready to be presented to the States for approval of policy or transformation proposals including projects of work and programme benefits (both financial and non-financial) prior to moving to project delivery. These prioritised initiatives and programmes are:

- **Social Policy Development** – to ensure that social policy development is appropriately resourced in order to initiate and co-ordinate corporate change with a short term focus on the Supported Living and Ageing Well Strategy and the Children and Young People’s Plan.
- **Public Service Reform** – establishment of an over-arching programme to co-ordinate the delivery of benefits through the Framework for Public Sector Reform.
- **Programmes of Service Transformation** – to enable the development of the principles to use in each of the four planned programmes of service transformation – Education and Training Services, Health and Social Care Services, Justice and Equality Services and Other Government Services. It will determine the scope and design principles to be used within each programme and co-ordinate the effort across the programmes to avoid duplication.
- **Civil Service Reform** – focussing on improving the way in which the civil service supports government and clarifying the future shape and size of the civil service; improving the capability and capacity within the civil service to support policy development; sharpen accountability for the implementation of policy; and enable the recommendations of the States’ Review Committee to be implemented in full.

2017 BUDGET REPORT

- 9.14 Delegated authority was given to the Treasury and Resources Department to approve funding of up to £750,000 for any one programme, apart from Transforming Health and Social Care Services where a limit of £1million was agreed^f. In addition, the Treasury and Resources Department was given delegated authority, to a maximum of £250,000, to approve funding for any initiatives not on the prioritised list.
- 9.15 Further uses of the Fund have been approved by the States as follows:
- As part of the 2016 Budget Report, the Treasury and Resources Department was given delegated authority to approve funding of a maximum of £500,000 in respect of the revenue expenditure associated with the change in the system of population management as previously approved by the States.
 - Following consideration of the States Review Committee – The Organisation of States' Affairs (Billet d'État XII 2015) proposals, the States agreed to delegate authority to the Treasury and Resources Department to approve up to £550,000 to provide for the implementation of the improved committee system.
- 9.16 During the year the Treasury & Resources Department and latterly the Policy & Resources Committee have begun to approve expenditure against some of these prioritised amounts as set out in the table below.
- 9.17 In addition, in March 2016 the Treasury & Resources Department used its delegated authority to authorise expenditure of £236,000 from the Fund to enable the delivery of a corporate performance management framework across the States of Guernsey over the next twelve months which will help drive continuous performance improvement and support evidence-based decision-making.

^f As set out in paragraph 5.24, the Policy & Resources Committee is recommending an increase of £500,000 in this delegated authority.

2017 BUDGET REPORT

9.18 As set out in the table below, the current uncommitted balance of the Transformation and Transition Fund is £17.7million:

	Prioritised £'000	Approved £'000
Opening balance	25,000	
Transfer from Fundamental Spending Review Fund	817	
Transfer from Strategic Development Fund	<u>862</u>	
	26,679	
Initiatives:		
Social Policy Development	750	-
Public Service Reform	750	395
Transforming Education & Training Services	750	-
Transforming Health & Social Care Services	1,000	432
Transforming Justice & Equality Services	750	-
Transforming Other Government Services	750	-
Civil Service Reform	750	-
Population Management	500	290
Corporate Performance Reporting	236	236
Implementation of States Review Committee proposals	550	265
Fundamental Spending Review Fund commitments including the introduction of resource accounting and budgeting	2,117	817
Children and Young People's Plan	<u>62</u>	<u>37</u>
	8,965	2,472
Balance	17,714	

9.19 The Policy & Resources Committee will report in the States of Guernsey Accounts on the detailed use of the Future Guernsey Economic Fund and the Transformation and Transitional Fund and the benefits realised from these investments.

2017 BUDGET REPORT

States of Guernsey Bond

- 9.20 As part of the 2015 Budget Report, the States authorised the Treasury and Resources Department to:

“Issue a States of Guernsey Bond of £250million with a minimum term of 20 years and a maximum term of 40 years at such a time and on such terms as that Department considers to be in the best interests of the States; and to lend on the capital thereby raised to States owned entities, trading accounts and funds, the Guernsey Housing Association, the Alderney Housing Association and/or the Ladies’ College on such terms that the Department may approve, subject to each recipient repaying such borrowing in full from a secure income stream and without direct recourse to General Revenue and, in accordance with policies of the States affirmed in 2004, 2006, 2009 and 2014, to direct the Treasury & Resources Department to report to the States as expeditiously as possible, but in any event by no later than the 2016 Budget Report, to demonstrate how all such borrowing has been or soon will be allocated clearly to individual recipients and how each recipient will be repaying such borrowing in full from a secure income stream and without recourse in any way to general revenue”

and to delegate authority to the Policy Council to:

“Approve an increase in the value of the States of Guernsey Bond issue by a maximum of a further £80million, following consideration of a justification from the Treasury and Resources Department; and, in accordance with policies of the States affirmed in 2004, 2006, 2009 and 2014, to direct the Treasury & Resources Department to report to the States as expeditiously as possible, but in any event by no later than the 2016 Budget Report, to demonstrate how all such additional borrowing has been or soon will be allocated clearly to individual recipients and how each recipient will be repaying such borrowing in full from a secure income stream and without recourse in any way to general revenue.”

- 9.21 In November 2014, the Policy Council approved an increase of £80million in the value of the States of Guernsey bond issue.
- 9.22 The bond issue, which took place in December 2014 and has a final maturity date of 2046, was over-subscribed with a strong level of investor interest which enabled the States of Guernsey to secure an issue of the full £330million at a fixed rate of interest of 3.375% which represented the lowest ever coupon for a long-term fixed rate sterling bond from any issuer without a UK Government guarantee. The minimum interest rate charged on any lending is 3.625%; the calculation of which recovers the yield adjustment and all of the costs associated with issuing the bond.

2017 BUDGET REPORT

9.23 The Bond Management Sub-Committee of the Treasury and Resources Department has agreed loans totalling £132million from the proceeds of the States of Guernsey Bond issue. The interest rate charged on loans is calculated by application of a formula which incorporates:

- a 'credit risk score' calculated on the basis of a simple scorecard approach which incorporates key financial ratios including profitability, interest cover and gearing and considers the 'proximity to General Revenue' – i.e. through a General Revenue service with the loan repayments being funded entirely by charges made to service users; a General Revenue trading entity; an incorporated States Trading Company / wholly owned arrangement or any other entity; and
- an adjustment for prevailing interest rates which relates to the difference between current swap rates for the loan term being requested compared to the swap rate for that loan term applicable on the date the Bond was issued.

9.24 The average interest rate charged on the loans made to date is 3.8% which is slightly in excess of the minimum interest rate of 3.625%.

9.25 The bond issue proceeds which have not yet been lent on to entities form part of the General Revenue investment assets which are invested in line with the direction set by the Committee's Investment and Bond Management Sub-Committee. The investment return received in 2015 was not sufficient to meet the full costs of the annual bond coupon (interest) payment, resulting in a £5.7million deficit on the Bond Reserve. However, during the first half of 2016, this position was reversed and the investment return outperformed the target return and comfortably exceeded the amount necessary to pay the coupon, eliminating the 2015 shortfall.

9.26 There are some entities which currently have external borrowings, guaranteed by the States of Guernsey, where breaking the existing arrangements and replacing with a loan from the bond proceeds is not considered to be cost effective (e.g. due to cost of exiting fixed rate arrangements or the attractiveness of short-term funding in the current interest rate environment). There are some entities where the timing of the funding requirement has changed including in respect of the Waste Strategy and Guernsey Electricity Limited where there is no longer an immediate requirement to replace a cable.

2017 BUDGET REPORT

9.27 Notwithstanding that it would inevitably take a period of time to lend on the proceeds of the States of Guernsey bond issue, the amount currently approved is lower than was anticipated at the time of issue. However, the reasons are largely considered to be short-term timing issues and it is reiterated that there are significant financing requirements in the short- to medium-term which could be funded from the Bond issue proceeds including:

- Guernsey Water: to refinance the Belle Greve Wasterwater Outfalls project (up to £19.9million);
- Guernsey Water: to fund infrastructure investment as set out in the Guernsey Water business plan (£55million for the next ten years);
- Guernsey Housing Association: to continue development of affordable housing (average of £10million per annum); and
- Guernsey Electricity Limited: further infrastructure requirements including, potentially, a direct cable to France (approximately £80million).

9.28 In addition, as set out paragraphs 7.11 to 7.18, the continuing work on reviewing the capital structures of the States' trading assets is likely to result in proposed changes which would require funding from the bond proceeds.

9.29 The Policy & Resources Committee intends to investigate whether, in limited and specific circumstances, and subject to provision of appropriate security and a business plan that demonstrates that the interest and capital repayments will be made, it would be desirable to extend the range of entities to which the bond proceeds can be lent to include organisations which are not part of, or wholly owned by, the States. The Committee will report back to the States with recommendations, if appropriate, to change the policy for the on-lending of the bond proceeds.

Aurigny

9.30 In November 2015 (Billet d'État XX, 2015), following consideration of a Policy Letter from the Treasury and Resources Department, the States resolved, inter alia, to approve the recapitalisation of Cabernet Ltd (Aurigny Group) in respect of its cumulative losses of £19.9million up to 31 December 2014 and its forecast losses of £5.3million for the years 2015 to 2017.

9.31 The States also agreed *"To authorise the Treasury and Resources Department to provide short-term borrowing facilities to the Aurigny Group"* and *"To direct the Treasury and Resources Department to report to the States of Deliberation with details of any short-term borrowing facilities provided to the Aurigny Group within six months of their provision, explaining the need for the facility."*

9.32 The following profile of losses for 2015 to 2017 were forecast in the Policy Letter:

2015 - £2.3million

2016 - £1.5million

2017 - £1.5million

2017 BUDGET REPORT

- 9.33 The 2015 results of a loss of £2.55million (excluding any adjustment arising from the application of Accounting Standard FRS102 which will 'reverse out' in future years) was £250,000 higher than anticipated due to unexpected maintenance requirements. The 2015 Accounts will be published following the company's Annual General Meeting in the final quarter of 2016.
- 9.34 However, in respect of 2016, the position is substantially worse as a loss of £4.6million is anticipated. This means that all of the recapitalisation funds will have been used by the end of 2016 and Aurigny will be in a negative balance sheet position of nearly £2million. Due to the timings of the Company's cash-flows (primarily the large amount of money it receives from the advance sale of flight tickets), it has not needed to request a borrowing facility.
- 9.35 The major reasons for the £3.1million deterioration in the 2016 financial position are: increased maintenance costs (£1.4million), shortfall in flight revenue (£0.7million), increased one-off costs associated with the introduction of the Dornier aircraft (£0.3million); withdrawal of Jersey-Guernsey codeshare (£0.2million) and increased disruption costs associated with unusually high periods of fog (£0.2million).
- 9.36 In respect of 2017 – 2019, the Aurigny has forecast losses of £4-5million per annum. This is substantially higher than the position anticipated in November 2015 due to increased maintenance costs as a result of the ageing aircraft fleet, exposure to the US dollar exchange rate and increased crew and compliance costs arising from greater regulation and scrutiny by the Civil Aviation Authority.
- 9.37 The Policy & Resources Committee has recently commissioned a strategic review of the role and objectives of Aurigny with the intention of reporting back to the States as early in 2017 as possible. The objective of the review is to make recommendations to the Committee and the States Trading Supervisory Board (in its shareholder role) that can help to set clear and long-term policy and economic objectives for Aurigny. In addition, the review will consider shorter-term steps that can be taken to enhance the social and economic enablement role of Aurigny. The objective that is currently set for Aurigny is to break-even before allowing for budgeted losses on the Alderney routes.
- 9.38 Any change to the existing shareholder objectives which negatively impact on the company's financial position will need to consider the associated funding issues.
- 9.39 In respect of the budgeted losses on the Alderney routes, estimated to be £1.4million per annum (when the new Dornier fleet is operational), although this is not defined as a 'Transferred Service' within the financial arrangements pertaining to Alderney, it is funded directly from General Revenue (and a significant proportion of the recent recapitalisation will relate to losses incurred on the Alderney routes). Whilst recognising that these airlinks are considered to be necessary for the maintenance and expansion of Alderney's economy, the future funding arrangement for these routes will be considered as part of the Review of the Financial Relationship with Alderney.

2017 BUDGET REPORT

- 9.40 Until the States have considered the strategic review and decisions made on the future objectives for Aurigny, including the impact this will have on its operating position and its future funding arrangements, the Policy & Resources Committee will make provision, within the General Revenue Account Reserve, for the company's accumulated losses (which are estimated to total £3million by the end of quarter one – 2017), which is in line with treatment of losses prior to the recent recapitalisation.
- 9.41 There will, of course, be a requirement to fund this accumulated loss in the future – either through a further recapitalisation or a one-off revenue grant. The Policy & Resources Committee intends to address this matter as part of its Policy Letter on the strategic review. In the meantime, if required, the Committee would make available a temporary borrowing facility to Aurigny, pending determination of the future funding arrangements.

Alderney

- 9.42 In February 2016 (Billet d'Etat II, 2016), the States considered a Policy Letter from the Policy Council titled *"The Review of the Financial Relationship between Guernsey and Alderney"* and, agreed in principle, that the financial arrangements be modified such that:
- Guernsey retains responsibility to fund all Transferred Services, and the Social Security Funds, through the pooled income sources of Income Tax and Social Security Contributions;
 - The States of Alderney is responsible for funding all other public services in Alderney (including the harbour, drainage (foul and surface water), roads, coastal defence, water and electricity), from all other levies, rates, taxes, permit fees, rents, duties and other income collected from sources based in Alderney (such as tax on real property, occupiers' rates, import duties and excise duties, fees in lieu of Congé, document duty, numismatic and philatelic profits, and company registration fees.
- 9.43 Work is ongoing to consider the most appropriate future arrangements for expenditure currently funded directly by the States of Guernsey for certain services provided in / for Alderney. The two major items are the deficit on operating Alderney Airport and the (public service) subsidy to the airline operating the Alderney routes. It is not anticipated that recommendations on the future funding arrangements for these items will be made until such time as the approach to be taken with regard to the Alderney Airport runway has been determined and consideration of the strategic review of the role and objectives of Aurigny in respect of the Alderney routes. The future treatment of the Alderney Gambling Control Commission surpluses and funding arrangements for the States of Alderney capital requirements, Alderney Airport and air routes are key elements of the Review and work is ongoing to consider these and proposals will be included in future Budget Reports.

2017 BUDGET REPORT

9.44 The recommended 2017 Cash Limit for the States of Alderney is £1.83million (net of a 3% budget reduction of £55,000) which will be used by the States of Alderney, together with income it collects directly, to fund Non Transferred Services. As the first stage in introducing the modified financial arrangements, the Policy & Resources Committee is intending, subject to the formal approval of the States of Alderney, to propose in the 2018 Budget Report that, with effect from 2018:

- The Tax on Real Property (TRP) rates in respect of Alderney buildings will be set at £zero. The 2017 budget for this income is £800,000;
- The excise duty on Motor Fuel imports into Alderney will be set at £zero. The 2017 budget for this income is £350,000;
- The document duty on conveyances of Alderney property which is paid to General Revenue is paid to the States of Alderney. The 2017 budget for this income is £350,000;
- A commensurate reduction is made to the recommended 2018 Cash Limit for the States of Alderney. The estimated reduction is £1.5million which would reduce the Cash Limit to £330,000 per annum.

9.45 At this stage, it is not recommended that a similar arrangement is put in place for other excise (alcohol and tobacco) and import duties as, unlike motor fuel which is delivered directly into Alderney Harbour, the vast majority are made as 'duty-paid' imports as they have formed part of larger imports into Guernsey where the duty has been paid. Therefore, any change would require revised administrative and duty charging arrangements which would result in increased cost of collection and the need for additional border agency officials, particularly if the duty rates were different between Guernsey and Alderney in order to protect against evasion.

9.46 During 2017, the States of Alderney will develop its existing Occupier's Rates system (which uses the existing Cadastre register) in order to levy one property tax. As part of its 2018 Budget, the States of Alderney will agree the Occupier's Rates and Excise Duty on Motor Fuel it will levy. The States of Alderney considers that these proposals would provide them with greater freedom and flexibility to set tax and duty rates at such levels they determine will best raise the funds necessary to provide their public services. If there is a requirement to increase expenditure on public services provided by the States of Alderney, either through an increase in demand for existing services or the introduction of new services, this will increase the options available to the States of Alderney to make funding available.

9.47 The States of Alderney is currently developing governance processes and procedures including in respect of finance and resource management incorporating an Accounting Officer framework. These will be reviewed by the Policy & Resources Committee and, if required, appropriate proposals put before the States to request approval to any changes to the existing approved arrangements.

2017 BUDGET REPORT

9.48 The Alderney Gambling Control Commission generates annual surpluses in the region of £2million which, under the existing financial arrangements, should be treated as General Revenue income. However, for a number of years, these surpluses have been used as the source of funding for the States of Alderney capital programme and have predominantly been used to address the back-log of major infrastructure works. As part of the 2015 Budget Report the States, inter alia, agreed:

- That the Alderney Gambling Control Commission surpluses received by the States of Alderney continue to be transferred to the States of Alderney capital allocation up to 31 December 2017;
- To approve the establishment of a States of Alderney Economic Development Fund with effect from 1 January 2014 and to delegate authority to the Treasury and Resources Department to approve use of this Fund; and
- To delegate authority to the Treasury and Resources Department to approve transfers to the States of Alderney Economic Development Fund to a maximum of £900,000 from the surpluses received by the States of Alderney from the Alderney Gambling Control Commission.

9.49 The States of Alderney have approved the use of £794,000 from the States of Alderney Economic Development Fund for projects which are designed to contribute positively to economic development, population growth, income growth or lead to expenditure reduction.

9.50 As set out in paragraph 9.43, the future treatment of the Alderney Gambling Control Commission surpluses is closely linked with any revision to the funding arrangements for the States of Alderney capital requirements, Alderney Airport and air routes.

9.51 However, in order to provide short-term certainty for the States of Alderney whilst work is ongoing to develop the long-term changes to the financial arrangements, **it is recommended that:**

- **The Alderney Gambling Control Commission surpluses received by the States of Alderney continue to be transferred to the States of Alderney capital allocation up to 31 December 2019;**
- **Delegated authority is given to the States of Alderney to:**
 - i. **make transfers from the States of Alderney capital allocation to the States of Alderney Economic Development Fund of a maximum of £300,000 per annum; and**
 - ii. **Approve uses of the States of Alderney Economic Development Fund;**
- **With effect from 2020, unless alternative arrangements are put in place as part of the package of changes to the financial relationship between Guernsey and Alderney, the Alderney Gambling Control Commission surpluses will be credited to the General Revenue Account.**

Draft Ordinance Entitled

The Excise Duties (Budget) Ordinance, 2016

THE STATES, in pursuance of their Resolution of the 1st November 2016 and in exercise of the powers conferred on them by sections , 23C(3) and 23K of the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972 as amended^a, hereby order:-

Amendment of Fourth Schedule to the Law.

1. In the Fourth Schedule to the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972, as amended, for the tables in paragraphs 1 to 7 under "GOODS LIABLE TO EXCISE DUTY; & RATES OF EXCISE DUTY" substitute the following-

"1. Tobacco and tobacco products

(a)	Cigarettes	£315.24 per kilo
(b)	Cigars	£306.70 per kilo
(c)	Hand rolling tobacco	£285.61 per kilo
(d)	Other manufactured tobacco	£247.73 per kilo
(e)	Tobacco leaf – unstemmed	£275.01 per kilo
(f)	Tobacco leaf – stemmed	£277.77 per kilo

2. Petrol and Gas oil –

(a)	Petrol other than any fuel used for the purpose of air navigation (and subject to b.)	63.5p per litre
(b)	Petrol used for the purpose of marine navigation	40.4p per litre where supplied by an approved trader except where supplied to an approved trader in which case 63.5p per litre ^b
(c)	Gas oil	63.5p per litre

3. Other fuels-

Biodiesel	63.5p per litre
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For the purposes of calculating the excise duty applicable to any biodiesel -

- (a) any computation of the volume of biodiesel shall be made in litres as at 15 degrees Celsius, and
- (b) where any colouring matter or substance commonly added for the purpose of improving or modifying the quality or characteristics of biodiesel as a fuel is added to biodiesel prior to its delivery, then the volume of that biodiesel shall be determined by reference to the total volume including such additives.

^a Ordres en Conseil Vol. XXIII, p.573; as amended by Vol. XXIV, p.87; Vol. XXXI, p. 278; Vol. XXXIII, p. 217; Order in Council No. X of 2004; No. XIV of 2007; No. II of 2010; No. XV of 2012; Recueil d'Ordonnances Tome XXIX, p. 406; Tome XXXII, pp. 607 and 668; Tome XXXIII, p. 38; and Ordinance No. XLIII of 2013; No. XL of 2015; and No. IX of 2016.

^b The circumstances in which the different rates may apply shall be specified by the Committee by Order.

4. Beer

- | | | |
|-----|---|-----------------|
| (a) | Beer exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume | 47p per litre |
| (b) | Beer brewed by an independent small brewery exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume | 47p per litre |
| (c) | Beer, other than beer brewed by an independent small brewery, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume | 75p per litre |
| (d) | Beer brewed by an independent small brewery exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume | 60p per litre |
| (e) | Beer, other than beer brewed by an independent small brewery, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume | 94p per litre |
| (f) | Beer exceeding 7.5 per cent volume | £1.09 per litre |

5. Spirits

Spirits	£33.96 per litre of alcohol contained in the liquor, calculated in accordance with section 23D
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6. Cider

- | | | |
|-----|---|-----------------|
| (a) | Cider exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume | 47p per litre |
| (b) | Cider produced by an independent small cider-maker exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume | 47p per litre |
| (c) | Cider, other than cider produced by an independent small cider-maker, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume | 75p per litre |
| (d) | Cider produced by an independent small cider-maker exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume | 60p per litre |
| (e) | Cider, other than cider produced by an independent small cider-maker, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume | 94p per litre |
| (f) | Cider exceeding 7.5 per cent volume | £1.09 per litre |

7. Wines

- | | | |
|-----|--|------------------|
| (a) | Light wines not exceeding 5.5 per cent volume | 59p per litre |
| (b) | Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines) | £2.39 per litre |
| (c) | Other wines | £3.82 per litre" |

Extent

2. This Ordinance shall have effect in the Islands of Guernsey, Alderney, Herm and Jethou.

Repeals

3. The Excise Duties (Budget) Ordinance, 2015^c is repealed.

Citation

4. This Ordinance may be cited as the Excise Duties (Budget) Ordinance, 2016.

Commencement

5. This Ordinance shall come into force on the 1st November, 2016.

^c Ordinance No. XL of 2015.

Draft Ordinance Entitled

The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2016

THE STATES, in pursuance of their resolution of the 1st November, 2016 and in exercise of the powers conferred upon them by sections 1 and 2 of the Taxation of Real Property (Enabling Provisions) (Guernsey and Alderney) Law, 2005^a, hereby order:-

Rates of property tax

1. For the tables in Part I of Schedule 1 to the Taxation of Real Property (Guernsey and Alderney) Ordinance, 2007^b substitute the tables in the Schedule to this Ordinance.

Repeal

2. The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2015^c is repealed.

Extent.

3. This Ordinance shall have effect in the Islands of Guernsey, Alderney and Herm.

Citation and Commencement

4. This Ordinance may be cited as the Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2016.

Commencement

5. This Ordinance shall come into force on the 1st January, 2017.

^a Order in Council No. X of 2006.

^b Recueil d'Ordonnances Tome XXXII, p.504, as amended by Order in Council No. XIII of 2010, Recueil d'Ordonnances Tome XXXIII, pp. 35 and 332; Ordinance No. XIII of 2012; and Ordinance No. XLI of 2015.

^c Ordinance No. XLI of 2015.

SCHEDULE

Section 1

TABLE (A)
GUERNSEY REAL PROPERTY

GUERNSEY BUILDINGS

1 Property Reference	2 Property Description/Usage	3 Tariff
B1.1	Domestic (whole unit) Local Market	£1.38
B1.2	Domestic (flat) Local Market	£1.38
B1.3	Domestic (glasshouse) Local Market	5p
B1.4	Domestic (outbuildings) Local Market	69p
B1.5	Domestic (garaging and parking) (non-owner-occupied) Local Market	£1.38
B2.1	Domestic (whole unit) Open Market	£1.38
B2.2	Domestic (flat) Open Market	£1.38
B2.3	Domestic (glasshouse) Open Market	5p
B2.4	Domestic (outbuildings) Open Market	69p
B2.5	Domestic (garaging and parking) (non-owner-occupied) Open Market	£1.38
B3.1	Domestic (whole unit) Social Housing	Zero
B3.2	Domestic (flat) Social Housing	Zero
B3.3	Domestic (glasshouse) Social Housing	Zero
B3.4	Domestic (outbuildings) Social Housing	Zero
B3.5	Domestic (garaging and parking) (non-owner-occupied) Social Housing	Zero
B4.1	Hostelry and food outlets	£5.50
B4.2	Self-catering accommodation	£3.45
B4.3	Motor and marine trade	£4.65
B4.4	Retail	£9.50
B4.5	Warehousing	£5.05
B4.6	Industrial and workshop	£4.05
B4.7	Recreational and sporting premises	£2.35
B4.8	Garaging and parking (non-domestic)	£5.05
B5.1	Utilities providers	£39.45
B6.1	Office and ancillary accommodation (regulated finance industries)	£36.80
B6.2	Office and ancillary accommodation (other than regulated finance industries)	£12.30
B7.1	Horticulture (building other than a glasshouse)	5p
B8.1	Horticulture (glasshouse)	5p
B9.1	Agriculture	5p
B10.1	Publicly owned non-domestic	Zero
B11.1	Exempt (Buildings)	Zero
B12.1	Buildings – Penal Rate	Zero
B13.1	Development buildings (domestic)	69p
B13.2	Development buildings (non-domestic)	£5.25

SCHEDULE

GUERNSEY LAND

1 Property Reference	2 Property Description/Usage	3 Tariff
L1.1	Communal (flat) Local Market	18p
L1.2	Communal (flat) Open Market	18p
L1.3	Hostelry and food outlets	36p
L1.4	Self-catering accommodation	36p
L1.5	Motor and marine trade	36p
L1.6	Retail	36p
L1.7	Warehousing	36p
L1.8	Industrial	36p
L1.9	Recreational and sporting premises	36p
L1.10	Office and ancillary accommodation (regulated finance industries)	£1.20
L1.11	Office and ancillary accommodation (other than regulated finance industries)	40p
L1.12	Utilities providers	36p
L2.1	Approved development site	£1.20
L3.1	Domestic Local Market	18p
L3.2	Domestic Open Market	18p
L3.3	Horticulture	18p
L3.4	Agriculture	18p
L3.5	Domestic Social Housing	Zero
L3.6	Publicly owned non-domestic	Zero
L4.1	Exempt (Land)	Zero
L5.1	Land – Penal Rate	Zero
L6.1	Garaging and parking (non-domestic)	36p

SCHEDULE

TABLE (B)
ALDERNEY REAL PROPERTY

ALDERNEY BUILDINGS

1 Property Reference	2 Property Description/Usage	3 Tariff
B1.1A	Domestic (whole unit)	£1.38
B1.2A	Domestic (flat)	£1.38
B1.3A	Domestic (glasshouse)	5p
B1.4A	Domestic (outbuildings)	69p
B1.5A	Domestic (garaging and parking) (non-owner-occupied)	£1.38
B3.1A	Domestic (whole unit) Social Housing	Zero
B3.2A	Domestic (flat) Social Housing	Zero
B3.3A	Domestic (glasshouse) Social Housing	Zero
B3.4A	Domestic (outbuildings) Social Housing	Zero
B3.5A	Domestic (garaging and parking) (non-owner-occupied) Social Housing	Zero
B4.1A	Hostelry and food outlets	£5.50
B4.2A	Self-catering accommodation	£3.45
B4.3A	Motor and marine trade	£4.65
B4.4A	Retail	£9.50
B4.5A	Warehousing	£5.05
B4.6A	Industrial and workshop	£4.05
B4.7A	Recreational and sporting premises	£2.35
B4.8A	Garaging and parking (non-domestic)	£5.05
B5.1A	Utilities providers	£39.45
B6.1A	Office and ancillary accommodation (regulated finance industries)	£36.80
B6.2A	Office and ancillary accommodation (other than regulated finance industries)	£12.30
B7.1A	Horticulture (building other than a glasshouse)	5p
B8.1A	Horticulture (glasshouse)	5p
B9.1A	Agriculture	5p
B10.1A	Publicly owned non-domestic	Zero
B11.1A	Exempt (Buildings)	Zero
B12.1A	Buildings – Penal Rate	Zero
B13.1A	Development building (domestic)	69p
B13.2A	Development building (non-domestic)	£5.25

SCHEDULE

ALDERNEY LAND

1 Property Reference	2 Property Description/Usage	3 Tariff
L1.1A	Communal (flat)	Zero
L1.3A	Hostelry and food outlets	Zero
L1.4A	Self-catering accommodation	Zero
L1.5A	Motor and marine trade	Zero
L1.6A	Retail	Zero
L1.7A	Warehousing	Zero
L1.8A	Industrial	Zero
L1.9A	Recreational and sporting premises	Zero
L1.10A	Office and ancillary accommodation (regulated finance industries)	Zero
L1.11A	Office and ancillary accommodation (other than regulated finance industries)	Zero
L1.12A	Utilities providers	Zero
L2.1A	Approved development site	Zero
L3.1A	Domestic	Zero
L3.3A	Horticulture	Zero
L3.4A	Agriculture	Zero
L3.5A	Domestic Social Housing	Zero
L3.6A	Publicly owned non-domestic	Zero
L4.1A	Exempt (Land)	Zero
L5.1A	Land – Penal Rate	Zero
L6.1A	Garaging and parking (non-domestic)	Zero

SCHEDULE

TABLE (C)
HERM REAL PROPERTY

HERM BUILDINGS

1 Property Reference	2 Property Description/Usage	3 Tariff
B1.1H	Domestic (whole unit)	Zero
B1.2H	Domestic (flat)	Zero
B1.3H	Domestic (glasshouse)	Zero
B1.4H	Domestic (outbuildings)	Zero
B1.5H	Domestic (garaging and parking) (non-owner-occupied)	Zero
B3.1H	Domestic (whole unit) Social Housing	Zero
B3.2H	Domestic (flat) Social Housing	Zero
B3.3H	Domestic (glasshouse) Social Housing	Zero
B3.4H	Domestic (outbuildings) Social Housing	Zero
B3.5H	Domestic (garaging and parking) (non-owner-occupied) Social Housing	Zero
B4.1H	Hostelry and food outlets	Zero
B4.2H	Self-catering accommodation	Zero
B4.3H	Motor and marine trade	Zero
B4.4H	Retail	Zero
B4.5H	Warehousing	Zero
B4.6H	Industrial and workshop	Zero
B4.7H	Recreational and sporting premises	Zero
B4.8H	Garaging and parking (non-domestic)	Zero
B5.1H	Utilities providers	Zero
B6.1H	Office and ancillary accommodation (regulated finance industries)	Zero
B6.2H	Office and ancillary accommodation (other than regulated finance industries)	Zero
B7.1H	Horticulture (building other than a glasshouse)	Zero
B8.1H	Horticulture (glasshouse)	Zero
B9.1H	Agriculture	Zero
B10.1H	Publicly owned non-domestic	Zero
B11.1H	Exempt (Buildings)	Zero
B12.1H	Buildings – Penal Rate	Zero
B13.1H	Development buildings (domestic)	Zero
B13.2H	Development buildings (non-domestic)	Zero

SCHEDULE

HERM LAND

1 Property Reference	2 Property Description/Usage	3 Tariff
L1.1H	Communal (flat)	Zero
L1.3H	Hostelry and food outlets	Zero
L1.4H	Self-catering accommodation	Zero
L1.5H	Motor and marine trade	Zero
L1.6H	Retail	Zero
L1.7H	Warehousing	Zero
L1.8H	Industrial	Zero
L1.9H	Recreational and sporting premises	Zero
L1.10H	Office and ancillary accommodation (regulated finance industries)	Zero
L1.11H	Office and ancillary accommodation (other than regulated finance industries)	Zero
L1.12H	Utilities providers	Zero
L2.1H	Approved development site	Zero
L3.1H	Domestic	Zero
L3.3H	Horticulture	Zero
L3.4H	Agriculture	Zero
L3.5H	Domestic Social Housing	Zero
L3.6H	Publicly owned non-domestic	Zero
L4.1H	Exempt (Land)	Zero
L5.1H	Land – Penal Rate	Zero
L6.1H	Garaging and parking (non-domestic)	Zero

Draft Ordinance Entitled

The Document Duty (Amendment) Ordinance, 2016

THE STATES, in pursuance of their Resolution of the 1st November, 2016 and in exercise of the powers conferred on them by sections 1 and 6 of the Document Duty (Guernsey) Law, 1973^a, hereby order:-

Amendment to Schedule 1.

1. In Schedule 1 to the Document Duty Ordinance, 2003^b, for the entries in each of the columns at each of paragraphs 1, 2, 3 and 5 substitute -

"1.	Conveyance of realty other than a conveyance within item 2, 3 or 5:	(a) 2.0% of the value of the transaction up to £250,000; and (b) 3.25% of any part of the value of the transaction between £250,001 and £400,000; and (c) 3.5% of any part of the value of the transaction between £400,001 and £750,000; and (d) 3.75% of any part of the value of the transaction between £750,001 and £1,000,000; and (e) 4.0% of any part of the value of the transaction in excess of £1,000,000."
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^a Ordres en Conseil Vol. XXIV, p. 74, as amended by Ordres en Conseil Vol. XXXI, p. 278; Vol. XLII(2), p. 1324; as applied to Alderney by Recueil d'Ordonnances Tome XXIX, pp. 284.

^b Recueil d'Ordonnances Tome XXIX, p. 284; as amended by Recueil d'Ordonnances Tome XXIX, p. 406; Tome XXXI, p. 436; Tome XXXIII, pp. 617 and 620; and Tome XXXIII, p. 342.

"2.	Conveyance by way of gift inter vivos of realty	<p>(a) 2.0% of the value of the realty up to £250,000; and</p> <p>(b) 3.25% of any part of the value of the realty between £250,001 and £400,000; and</p> <p>(c) 3.5% of any part of the value of the realty between £400,001 and £750,000; and</p> <p>(d) 3.75% of any part of the value of the realty between £750,001 and £1,000,000; and</p> <p>(e) 4.0% of any part of the value of the realty in excess of £1,000,000."</p>
"3.	Conveyance by way of Exchange of realty	<p>In respect of the value of the realty acquired by each party, the same amount that would be payable if the realty had been conveyed by way of gift inter vivos;</p> <p>plus in respect of any further consideration given by either party:</p> <p>(a) 2.0% of that consideration up to £250,000; and</p> <p>(b) 3.25% of any part of that consideration between £250,001 and £400,000; and</p> <p>(c) 3.5% of any part of that consideration between £400,001 and £750,000; and</p> <p>(d) 3.75% of any part of that consideration between £750,001 and £1,000,000; and</p> <p>(e) 4.0% of any part of that consideration in excess of £1,000,000;</p> <p>less 2.0% of the value of the realty exchanged."</p>

"5.	Partage or Conveyance by way of Délaissance of realty-	
	(a) Between co-owners	£5.00
	(b) Other than between co-owners	(a) 2.0% of the value of the realty up to £250,000; and (b) 3.25% of any part of the value of the realty between £250,001 and £400,000; and (c) 3.5% of any part of the value of the realty between £400,001 and £750,000; and (d) 3.75% of any part of the value of the realty between £750,001 and £1,000,000; and (e) 4.0% of any part of the value of the realty in excess of £1,000,000."

Repeal.

2. The Document Duty (Amendment) Ordinance, 2013^c is repealed.

Transitional relief.

3. (1) Relief in accordance with the following provisions of this section is available on document duty paid in connection with a qualifying registration.

(2) Relief shall consist of a repayment to be made by the States Policy & Resources Committee, out of the general revenue account of the States, of an amount equal to any difference between the document duty paid and that which would have been payable if this Ordinance had not been enacted.

^c Ordinance No XXV of 2013.

(3) For the purposes of this section –

(a) **"a qualifying registration"** means –

- (i) registration, within the transitional period, of any prescribed document described in paragraphs 1, 2, 3 or 5 of Schedule 1 to the Document Duty Ordinance, 2003 which has been executed further to a qualifying agreement, or
- (ii) registration, after the expiration of the transitional period, of any prescribed document described in paragraphs 1, 2, 3 or 5 of Schedule 1 to the Document Duty Ordinance, 2003 –
 - (A) which has been executed further to a qualifying agreement, and
 - (B) where written notice of the existence of that agreement has, within the transitional period, been given to Her Majesty's Greffier,

(b) **"a qualifying agreement"** means an agreement –

- (i) entered into prior to 4th October, 2016, and
- (ii) the terms and conditions of which, in the opinion of Her Majesty's Greffier, are or were legally binding on any party to the agreement, and

(c) **"the transitional period"** means the period commencing on 1st January, 2017 and ending on 30th June, 2017,

Interpretation.

4. Any reference in this Ordinance to an enactment is a reference thereto as from time to time amended, re-enacted (with or without modification), extended or applied.

Extent.

5. This Ordinance shall have effect in the Islands of Guernsey and Alderney.

Citation.

6. This Ordinance may be cited as the Document Duty (Amendment) Ordinance, 2016.

Commencement.

7. This Ordinance shall come into force on 1st January, 2017.

SUMMARY OF BUDGET PROPOSALS - INDIRECT TAXATION**Duty on Tobacco**

2017	5.6% increase	Cigarettes (RPIX plus 5%)			
	8.1% increase	All other tobacco products (RPIX plus 7.5%)			
2016	6.5% increase	Cigarettes (RPIX plus 5%)			
	9% increase	All other tobacco products (RPIX plus 7.5%)			
2015	5.5% increase	(RPI plus 3%)	2011	4.6% increase	(RPI plus 3%)
2014	5.7% increase	(RPI plus 3%)	2010	15% increase	
2013	6% increase	(RPI plus 3%)	2009	8.5% increase	(RPI plus 3%)
2012	6.5% increase	(RPI plus 3%)	2008	7.7% increase	(RPI plus 3%)

Duty on Alcohol

2017	5% increase	2012	3% increase
2016	5% increase	2011	3.5% increase
2015	5% increase	2010	15% increase on spirits only
2014	5% increase	2009	5.5% increase
2013	3% increase	2008	20% increase

Duty on Fuel

2017	8.5% increase		
2016	12.9% increase (to restore the real value of the motor tax element)		
2015	6.1% increase	2011	10.8% increase
2014	5% increase	2010	15% increase
2013	3.3% increase	2009	6.9% increase
2012	9.8% increase	2008	7.4% increase

Document Duty

2017	Change to a graduated based system of calculating duty
2015-2016	No change
2014	Increase in thresholds and temporary rate reductions for lower bands
2008-2013	No change

Tax on Rateable Value / Tax on Real Property

2017	10% increase 5% increase	Domestic Commercial
2016	10% increase 2.5% increase 5% increase	Domestic Retail Commercial (other than retail)
2015	15% increase 5% increase 10% increase	Domestic Retail Commercial (other than retail)
2014	5% increase	
2013	3% increase	
2012	20% increase 3% increase	Domestic Commercial
2011	20% increase 3.5% increase	Domestic Commercial
2010	10% increase	
2009	5.5% increase 25% increase 50% increase	Domestic and Commercial Office and ancillary accommodation (other than regulated finance industries) Office and ancillary accommodation (regulated finance industries) buildings and land and approved development site land
2008	100% increase 400% increase	Commercial, utilities and recreational / sporting buildings and land Office and ancillary accommodation (regulated finance industries) buildings and land and approved development site land

INCOME AND EXPENDITURE ACCOUNT

APPENDIX II

2015 Actual £'000s	2016 Original Budget £'000s	<u>Income and Expenditure by Category</u>			2017 Budget £'000s
			Note		
		Income			
289,946	305,050	<i>Income Taxes</i>	1	302,500	
68,736	75,300	<i>Other Taxes</i>	2	79,150	
21,135	19,475	<i>Miscellaneous Income</i>	3	21,150	
379,817	399,825	General Revenue Income		402,800	
36,236	34,826	Committee Operating Income (including transfers)		38,743	
416,053	434,651	Total Income		441,543	
		Less Expenditure			
213,678	211,846	<i>Pay</i>	4	217,172	
126,868	127,748	<i>Non-Pay</i>	5	127,408	
60,218	62,615	<i>Formula-Led</i>	6	55,940	
-	-	<i>Balance of Budget Reduction</i>		(4,224)	
-	(1,920)	<i>Efficiency Target</i>		-	
-	(270)	<i>Financial Transformation Programme Target</i>		-	
-	(622)	<i>Budget Submission in Excess of Cash Limit</i>		-	
400,764	399,397	Revenue Expenditure		396,296	
-	7,529	Budget Reserve		4,947	
15,289	27,725	Revenue Surplus		40,300	
61	10,000	Capital Income		5,000	
7,506	10,500	Less Routine Capital Expenditure	7	10,500	
7,844	27,225	Net Surplus		34,800	
		Transfers			
(36,308)	(28,300)	<i>To Capital Reserve</i>		(34,800)	
(28,464)	(1,075)	Transfer from General Revenue Account Reserve		-	

INCOME AND EXPENDITURE ACCOUNT

2015 Actual £'000s	2016 Original Budget £'000s	<u>Income and Expenditure by Service Area</u>	2017 Budget £'000s
379,817	399,825	Revenue Income	402,800
61	10,000	Capital Income	5,000
379,878	409,825	Total Income	407,800
		Net Revenue Expenditure	
29,337	30,074	<i>Policy & Resources Committee</i>	28,850
6,147	6,597	<i>Committee for Economic Development</i>	6,385
78,082	78,404	<i>Committee for Education, Sport & Culture</i>	77,445
69,750	72,197	<i>Committee for Employment & Social Security</i>	65,405
14,187	12,652	<i>Committee for the Environment & Infrastructure</i>	12,005
118,582	116,142	<i>Committee for Health & Social Care</i>	120,100
33,059	32,826	<i>Committee for Home Affairs</i>	32,060
468	570	<i>Scrutiny Management Committee</i>	553
17	-	<i>States' Review Committee</i>	-
1,459	1,520	<i>Development & Planning Authority</i>	1,475
2,855	2,885	<i>Overseas Aid & Development Commission</i>	2,915
1,458	1,584	<i>States' Trading Supervisory Board</i>	1,540
2,557	2,540	<i>Royal Court</i>	2,460
4,711	4,700	<i>Law Officers</i>	4,530
1,859	1,880	<i>States of Alderney</i>	1,830
-	7,529	<i>Budget Reserve</i>	4,947
364,528	372,100		362,500
		Routine Capital Expenditure	
287	230	<i>Policy & Resources Committee</i>	625
-	-	<i>Committee for Economic Development</i>	50
2,066	1,125	<i>Committee for Education, Sport & Culture</i>	400
14	-	<i>Committee for Employment & Social Security</i>	-
517	3,450	<i>Committee for the Environment & Infrastructure</i>	3,175
2,957	1,625	<i>Committee for Health & Social Care</i>	750
986	400	<i>Committee for Home Affairs</i>	300
363	470	<i>States' Trading Supervisory Board</i>	700
197	200	<i>Royal Court</i>	-
119	-	<i>Law Officers</i>	-
-	1,500	<i>Backlog Property Maintenance</i>	1,500
-	1,500	<i>Budget Reserve</i>	3,000
7,506	10,500		10,500
372,034	382,600	Total Cash Limits	373,000
7,844	27,225	Net Surplus	34,800
		Transfers	
(36,308)	(28,300)	<i>To Capital Reserve</i>	(34,800)
(28,464)	(1,075)	Transfer from General Revenue Account Reserve	-

NOTES

1. Income Taxes

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
238,351	245,700	Individuals	247,900
41,498	50,350	Companies (including Banks)	45,600
10,097	9,000	Distributed Profits	9,000
289,946	305,050	Income Taxes	302,500

2. Other Taxes

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
		Customs - Excise and Import Duties	
3,201	3,340	<i>Beer</i>	3,500
716	780	<i>Cider</i>	800
17,082	18,850	<i>Motor Fuel</i>	19,400
2,891	3,120	<i>Spirits</i>	2,950
7,058	7,980	<i>Tobacco</i>	8,600
4,805	4,930	<i>Wine</i>	5,350
1,705	1,450	<i>Import duties</i>	1,300
37,458	40,450		41,900
19,018	20,200	Tax on Real Property	21,400
12,260	13,500	Document Duty - Conveyancing and Bonds	14,700
-	1,150	Vehicle First Registration Duty	1,150
68,736	75,300	Other Taxes	79,150

NOTES

3. Miscellaneous Income

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
10,220	10,375	Company Fees	10,200
4,768	4,600	Net Housing Rental Income	4,850
3,741	1,650	Surplus on Notes and Coins Trading Account	1,550
548	2,850	Investment Return	2,850
998	-	States' Trading Companies' Dividends	1,600
860	-	Other Income	100
21,135	19,475	Miscellaneous Income	21,150

4. Pay Costs by Pay Group

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
82,495	83,326	Established Staff	83,571
48,355	46,989	Nurses and Medical Consultants	51,422
41,422	40,765	Teachers, Lecturers and Learning Support Assistants	41,601
16,292	16,108	Public Service Employees	16,119
9,289	9,084	Police Officers	8,887
3,351	3,373	Prison Officers	3,442
3,327	3,433	Guernsey Border Agency Officers	3,440
3,500	3,438	Fire Officers	3,429
1,780	1,927	Home Support Staff	1,820
1,634	1,664	Crown Officers, Magistrates and Royal Court Judge	1,664
2,233	1,739	Other Pay Groups	1,777
213,678	211,846	Pay Costs by Pay Group	217,172

NOTES

5. Non-Pay Costs by Expenditure Category

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
		Staff Non Pay Costs	
2,194	2,700	<i>Recruitment</i>	2,257
2,044	2,659	<i>Training</i>	2,495
529	516	<i>Other Staff Costs</i>	519
4,767	5,875		5,271
		Support Services	
1,901	1,894	<i>Advertising Marketing and PR</i>	1,920
241	222	<i>Audit Fees</i>	225
159	103	<i>Bank Charges</i>	199
8,876	9,753	<i>Communications and IT</i>	9,839
2,258	2,066	<i>Consultants Fees</i>	1,560
8,488	8,286	<i>Contracted Out Work</i>	8,417
5	8	<i>Incidental and Other costs</i>	98
2,028	1,907	<i>Postage, Stationery and Printing</i>	1,693
2,156	2,189	<i>Risk Management and Insurance</i>	2,391
26,112	26,428		26,342
		Premises	
785	755	<i>Equipment, Fixtures and Fittings</i>	823
2,595	2,699	<i>Rents and Leasing</i>	2,626
15,211	15,247	<i>Repairs, Maintenance and Servicing</i>	15,084
4,816	5,710	<i>Utilities</i>	5,379
23,407	24,411		23,912
		Third Party Payments	
246	276	<i>Benefit Payments</i>	328
29,704	29,808	<i>Grants and Subsidies</i>	30,568
29,950	30,084		30,896
		Transport	
1,343	1,387	<i>Vehicles and Vessels</i>	1,294
		Supplies and Services	
27,742	25,220	<i>Services</i>	25,154
13,547	14,343	<i>Supplies</i>	14,539
41,289	39,563		39,693
126,868	127,748	Non-Pay Costs by Expenditure Category	127,408

NOTES

6. Formula-Led Costs by Expenditure Category

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
1,982	2,010	Policy & Resources Committee <i>Payments to States Members</i>	1,900
20,946	22,210	Committee for Employment & Social Security <i>Supplementary Benefit</i>	21,635
15,018	15,410	<i>Social Insurance Grant</i>	15,555
9,824	9,850	<i>Family Allowance</i>	8,230
5,072	5,300	<i>Severe Disability Benefit and Carers' Allowances</i>	5,510
2,175	2,580	<i>Legal Aid</i>	2,525
4,577	4,680	<i>Health Service Grant</i>	-
624	575	<i>Concessionary TV Licences for the Elderly</i>	585
60,218	62,615	Formula-Led Costs	55,940

7. Routine Capital Expenditure

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
4,269	7,077	Miscellaneous Capital Works	6,504
846	1,182	IT Projects and Equipment	1,824
2,391	1,921	Equipment, Machinery and Vehicles	1,491
-	1,500	Budget Reserve	3,000
7,506	11,680		12,819
-	(1,180)	Use of Accumulated Capital Allocation	(2,319)
7,506	10,500	Net Routine Capital Expenditure	10,500

POLICY & RESOURCES COMMITTEE

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Category</u>			
1,183	1,199	Operating Income	1,101
Non Formula-Led Expenditure			
17,691	17,728	Pay costs	17,779
		Non Pay costs	
2,409	3,243	Staff Non Pay costs	2,594
6,616	6,438	Support Services	6,602
275	325	Premises	314
1,006	1,044	Third Party Payments	1,014
8	12	Transport	9
533	593	Supplies & Services	545
-	-	Balance of Budget Reduction	(806)
10,847	11,655		10,272
27,355	28,184	Net Non Formula-Led Expenditure by Category	26,950
Formula-Led Expenditure			
1,982	2,010	Third Party Payments	1,900
1,982	2,010	Formula-Led Expenditure by Category	1,900
-	(120)	Financial Transformation Programme Target	-
29,337	30,074	Total Net Expenditure by Category	28,850

POLICY & RESOURCES COMMITTEE

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Service Area</u>			
Non Formula-Led Expenditure			
		Core Services	
709	769	<i>Central Services</i>	748
1,284	1,301	<i>External Affairs</i>	1,182
1,706	1,279	<i>Policy</i>	1,162
975	731	<i>Treasury</i>	756
<hr/>	<hr/>		<hr/>
4,674	4,080		3,848
		Corporate Functions	
489	521	<i>Assurance and Risk</i>	491
162	210	<i>Communications</i>	268
2,221	2,444	<i>Finance</i>	2,411
5,245	6,158	<i>Human Resources</i>	5,835
4,365	4,210	<i>Income Tax</i>	4,180
3,476	3,700	<i>Information Systems & Services</i>	3,793
1,879	1,875	<i>Insurance</i>	1,875
343	368	<i>Procurement</i>	379
3,686	3,738	<i>Shared Services Centre</i>	3,837
(1)	-	<i>Transformation & Change</i>	-
9	7	<i>Tribunals</i>	14
<hr/>	<hr/>		<hr/>
21,874	23,231		23,083
54	69	Commonwealth Parliamentary Association	52
753	804	HE Lieutenant Governor	773
-	-	Balance of Budget Reduction	(806)
<hr/>	<hr/>		<hr/>
27,355	28,184		26,950
Formula-Led Expenditure			
1,982	2,010	Payments to States Members	1,900
<hr/>	<hr/>		<hr/>
1,982	2,010		1,900
<hr/>	<hr/>		<hr/>
-	(120)	Financial Transformation Programme Target	-
<hr/>	<hr/>		<hr/>
29,337	30,074	Net Expenditure by Service Area	28,850
<hr/>	<hr/>		<hr/>
<u>Routine Capital Expenditure</u>			
270	520	IT Projects and Equipment	963
17	22	Equipment, Machinery and Vehicles	-
<hr/>	<hr/>		<hr/>
287	542		963
-	(312)	Use of Accumulated Capital Allocation	(338)
<hr/>	<hr/>		<hr/>
287	230	Net Routine Capital Expenditure	625
<hr/>	<hr/>		<hr/>

COMMITTEE *for* ECONOMIC DEVELOPMENT

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
		<u>Net Expenditure by Category</u>	
<u>772</u>	<u>712</u>	Operating Income	<u>663</u>
		Non Formula-Led Expenditure	
<u>2,689</u>	<u>2,757</u>	Pay costs	<u>2,768</u>
		Non Pay costs	
40	61	Staff Non Pay costs	31
2,684	2,737	Support Services	2,562
58	116	Premises	88
1,209	1,229	Third Party Payments	1,252
34	80	Transport	67
<u>205</u>	<u>329</u>	Supplies & Services	<u>280</u>
<u>4,230</u>	<u>4,552</u>		<u>4,280</u>
<u>6,147</u>	<u>6,597</u>	Net Non Formula-Led Expenditure by Category	<u>6,385</u>

COMMITTEE *for* ECONOMIC DEVELOPMENT

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Service Area</u>			
Non Formula-Led Expenditure			
665	779	Central Services	702
14	2	Civil Aviation Office	4
Finance and Economic Development			
584	704	<i>Finance Sector Development</i>	665
512	485	<i>Business Innovation and Skills</i>	458
<hr/> 1,096	<hr/> 1,189		<hr/> 1,123
1,212	1,227	Grant and Support Schemes	1,250
Marketing & Tourism			
1,428	1,335	<i>Consumer and Communications</i>	1,299
49	75	<i>Guernsey Information Centre</i>	76
68	79	<i>Quality Development</i>	70
645	611	<i>Strategic Marketing</i>	637
423	551	<i>Trade and Media Relations</i>	503
<hr/> 2,613	<hr/> 2,651		<hr/> 2,585
3	20	Office of the Public Trustee	20
382	401	Sea Fisheries	389
162	328	Strategic Projects	312
<hr/> 6,147	<hr/> 6,597	Net Expenditure by Service Area	<hr/> 6,385
<u>Routine Capital Expenditure</u>			
-	-	IT Projects and Equipment	72
-	-	Use of Accumulated Capital Allocation	(22)
<hr/> -	<hr/> -	Net Routine Capital Expenditure	<hr/> 50
<hr/>	<hr/>		<hr/>

COMMITTEE *for* EDUCATION, SPORT & CULTURE

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
		<u>Net Expenditure by Category</u>	
6,249	5,793	Operating Income	6,033
		Non Formula-Led Expenditure	
56,681	56,349	Pay costs	56,579
		Non Pay costs	
1,001	849	<i>Staff Non Pay costs</i>	920
3,774	3,540	<i>Support Services</i>	3,522
5,033	5,513	<i>Premises</i>	5,578
14,199	14,001	<i>Third Party Payments</i>	15,026
239	132	<i>Transport</i>	159
3,404	3,913	<i>Supplies & Services</i>	4,125
-	-	<i>Balance of Budget Reduction</i>	(2,431)
27,650	27,948		26,899
78,082	78,504		77,445
-	(100)	Financial Transformation Programme Target	-
78,082	78,404	Net Non Formula-Led Expenditure by Category	77,445

COMMITTEE *for* EDUCATION, SPORT & CULTURE

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Service Area</u>			
672	709	Beau Sejour	660
(672)	(325)	<i>Net expenditure</i>	(625)
-	384	<i>Less transfer from Channel Islands Lottery (Guernsey) Fund</i>	35
4,667	4,881	Central Services	4,989
402	414	Cultural Activities and Events	415
8,118	7,853	Further Education	7,708
740	740	<i>College of Further Education</i>	740
1,187	1,379	<i>Guernsey Training Agency</i>	1,122
		<i>Institute of Health and Social Care Studies</i>	
10,045	9,972		9,570
5,037	4,697	Higher Education	4,755
1,570	1,573	Museums and Libraries	1,598
280	292	<i>Grants to Libraries</i>	301
1,072	1,115	<i>Island Archive Service</i>	1,093
		<i>Museums Service</i>	
2,922	2,980		2,992
7,288	7,657	School and Pupil Support Services	7,575
4,663	4,494	Schools	4,389
-	226	<i>Grants to Colleges</i>	1,723
14,975	15,032	<i>Pre-School</i>	15,075
697	650	<i>Primary Schools</i>	678
19,556	19,334	<i>School Music Service</i>	19,582
5,580	5,587	<i>Secondary Schools</i>	5,850
1,831	1,780	<i>Special Schools</i>	1,813
		<i>Voluntary Schools</i>	
47,302	47,103		49,110
419	416	Sports	435
-	-	Balance of Budget Reduction	(2,431)
78,082	78,504		77,445
-	(100)	Financial Transformation Programme Target	-
78,082	78,404	Net Expenditure by Service Area	77,445
<u>Routine Capital Expenditure</u>			
1,766	1,149	Miscellaneous Capital Works	554
13	-	IT Projects and Equipment	-
287	225	Equipment, Machinery and Vehicles	-
2,066	1,374		554
-	(249)	Use of Accumulated Capital Allocation	(154)
2,066	1,125	Net Routine Capital Expenditure	400

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Category</u>			
48	17	Operating Income	20
Non Formula-Led Expenditure			
3,687	3,899	Pay costs	3,882
20	27	Non Pay costs	35
749	848	Staff Non Pay costs	802
6,356	5,970	Support Services	5,764
616	674	Premises	727
36	37	Third Party Payments	37
98	154	Transport	138
		Supplies & Services	
7,875	7,710		7,503
11,514	11,592	Non Formula-Led Expenditure by Category	11,365
Formula-Led Expenditure			
56,061	58,025	Third Party Payments	51,515
2,175	2,580	Supplies & Services	2,525
58,236	60,605	Formula-Led Expenditure by Category	54,040
69,750	72,197	Total Net Expenditure by Category	65,405

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Service Area</u>			
Non Formula-Led Expenditure by Service Area			
1,589	1,780	Administration of Social Security and Legal Aid	1,736
299	317	Benefits and Allowances	411
1,003	1,108	Central Services	1,069
22	51	Disability and Inclusion	51
249	319	Employment Relations Service	301
330	393	Health and Safety Executive	391
829	798	Housing Strategy and Planning	758
6,643	6,233	Social Housing Buildings Maintenance	6,027
550	593	Social Housing Tenancy Management	621
11,514	11,592	Net Non Formula-Led Expenditure by Service Area	11,365
Formula-Led Expenditure			
		Legal Aid	
1,358	1,696	<i>Civil Legal Aid</i>	1,655
817	884	<i>Criminal Legal Aid</i>	870
2,175	2,580		2,525
624	575	Concessionary TV Licences for the Elderly	585
9,824	9,850	Family Allowance	8,230
4,577	4,680	Health Service Grant	-
5,072	5,300	Severe Disability Benefit and Carers' Allowances	5,510
15,018	15,410	Social Insurance Grant	15,555
20,946	22,210	Supplementary Benefit	21,635
58,236	60,605	Formula-Led Expenditure by Service Area	54,040
69,750	72,197	Total Net Expenditure by Service Area	65,405
<u>Routine Capital Expenditure</u>			
14	13	Equipment, Machinery and Vehicles	28
-	(13)	Use of Accumulated Capital Allocation	(28)
14	-	Net Routine Capital Expenditure	-

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Category</u>			
2,942	2,437	Operating Income	2,866
Non Formula-Led Expenditure			
3,135	2,630	Pay costs	2,650
		Non Pay costs	
6	18	<i>Staff Non Pay costs</i>	41
2,714	3,023	<i>Support Services</i>	3,265
2,172	2,242	<i>Premises</i>	2,250
6,149	6,521	<i>Third Party Payments</i>	6,341
29	36	<i>Transport</i>	35
2,924	619	<i>Supplies & Services</i>	659
-	-	<i>Balance of Budget Reduction</i>	(370)
13,994	12,459		12,221
14,187	12,652	Net Non Formula-Led Expenditure by Category	12,005

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Service Area</u>			
880	332	Central Services	338
81	100	Alderney Breakwater	82
		Environmental Services	
2,532	2,440	<i>Agriculture and Veterinary Services</i>	2,226
933	853	<i>Coastal Services</i>	872
871	893	<i>Parks, Gardens and Nature Trails</i>	912
242	354	<i>Other Environmental Services</i>	453
<hr/> 4,578	<hr/> 4,540		<hr/> 4,463
		Roads and Transport	
162	353	<i>Integrated Transport Strategy</i>	475
179	399	<i>Licensing and Traffic Services</i>	423
4,069	4,899	<i>Passenger Transport</i>	4,562
4,238	2,029	<i>Roads*</i>	2,032
<hr/> 8,648	<hr/> 7,680		<hr/> 7,492
-	-	Balance of Budget Reduction	(370)
<hr/> 14,187	<hr/> 12,652	Net Expenditure by Service Area	<hr/> 12,005
<u>Routine Capital Expenditure</u>			
512	3,351	Miscellaneous Capital Works	3,542
-	66	IT Projects and Equipment	-
5	215	Equipment, Machinery and Vehicles	17
<hr/> 517	<hr/> 3,632		<hr/> 3,559
-	(182)	Use of Accumulated Capital Allocation	(384)
<hr/> 517	<hr/> 3,450	Net Routine Capital Expenditure	<hr/> 3,175

Note: * With effect from 2016 roads' resurfacing and reconstruction is funded through routine capital allocation instead of revenue expenditure.

COMMITTEE *for* HEALTH & SOCIAL CARE

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Category</u>			
12,364	11,686	Operating Income	14,788
Non Formula-Led Expenditure			
84,879	83,331	Pay costs	89,121
		Non Pay costs	
452	727	<i>Staff Non Pay costs</i>	769
4,481	4,355	<i>Support Services</i>	4,199
5,516	6,052	<i>Premises</i>	5,743
3,583	3,402	<i>Third Party Payments</i>	3,301
556	700	<i>Transport</i>	597
31,479	31,161	<i>Supplies & Services</i>	31,158
46,067	46,397		45,767
118,582	118,042		120,100
-	(1,900)	Financial Transformation Programme Target	-
118,582	116,142	Net Non Formula-Led Expenditure by Category	120,100

COMMITTEE *for* HEALTH & SOCIAL CARE

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Service Area</u>			
		Central Services	
1,041	1,209	<i>Clinical Governance</i>	1,369
1,778	1,460	<i>Contract Management</i>	699
11,720	12,586	<i>Estates & Facilities</i>	12,603
880	985	<i>Procurement</i>	1,007
436	610	<i>Recruitment & Retention</i>	612
1,809	1,562	<i>Strategy, Policy & Engagement</i>	1,684
2,417	2,796	<i>Systems & Performance</i>	2,983
20,081	21,208		20,957
		Acute Services	
29,496	28,185	<i>Acute Hospital Services</i>	29,043
9,195	7,888	<i>Acute Off Islands Treatment</i>	8,924
1,525	1,023	<i>Health Care Management</i>	1,040
1,586	1,671	<i>Institute of Health and Social Care Studies</i>	1,782
2,643	2,582	<i>St John Ambulance & Rescue</i>	2,486
44,445	41,349		43,275
		Community Services	
11,265	11,371	<i>Adult Services</i>	12,219
10,837	11,425	<i>Childrens Services</i>	11,494
8,377	8,990	<i>Complex Placements</i>	7,891
40	281	<i>Social Care Management</i>	405
20,333	19,526	<i>Specialist Services</i>	20,028
50,852	51,593		52,037
		Public Health & Strategy	
1,399	1,468	<i>Community Health & Wellbeing</i>	1,519
851	1,151	<i>Medical Public Health</i>	963
362	474	<i>Public Health Management</i>	542
2,612	3,093		3,024
592	799	Office of the Children's Convenor	807
118,582	118,042		120,100
-	(1,900)	Efficiency Target	-
118,582	116,142	Net Expenditure by Service Area	120,100
<u>Routine Capital Expenditure</u>			
1,033	226	Miscellaneous Capital Works	105
193	347	IT Projects and Equipment	353
1,731	1,196	Equipment, Machinery and Vehicles	741
2,957	1,769		1,199
-	(144)	Use of Accumulated Capital Allocation	(449)
2,957	1,625	Net Routine Capital Expenditure	750

COMMITTEE *for* HOME AFFAIRS

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Category</u>			
2,400	2,229	Operating Income	2,343
Non Formula-Led Expenditure			
28,342	28,185	Pay costs	27,813
		Non Pay costs	
670	706	Staff Non Pay costs	676
2,872	3,099	Support Services	3,018
1,613	1,638	Premises	1,525
100	143	Third Party Payments	99
225	243	Transport	236
1,637	1,688	Supplies & Services	1,608
-	-	Balance of Budget Reduction	(572)
7,117	7,517		6,590
33,059	33,473		32,060
-	(25)	Financial Transformation Programme Target	-
-	(622)	Budget Submission in Excess of Cash Limit	-
33,059	32,826	Net Non Formula-Led Expenditure by Category	32,060

COMMITTEE *for* HOME AFFAIRS

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Service Area</u>			
2,200	2,378	Administration and Central Services	2,160
363	412	Bailiwick Drug and Alcohol Strategy	382
92	118	Data Protection	116
390	383	Domestic Abuse Strategy	427
148	147	Emergency Planning	145
(19)	(19)	Gambling Control	(22)
3,889	3,848	Guernsey Fire and Rescue Service	3,734
(44)	147	Housing Control	95
743	680	Joint Emergency Services Control Centre	684
18,473	18,461	Law Enforcement	18,038
5,285	5,417	Prison Service	5,440
1,539	1,501	Probation Service	1,433
-	-	Balance of Budget Reduction	(572)
<hr/> 33,059	<hr/> 33,473		<hr/> 32,060
-	(25)	Financial Transformation Programme Target	-
-	(622)	Budget Submission in Excess of Cash Limit	-
<hr/> 33,059	<hr/> 32,826	Net Expenditure by Service Area	<hr/> 32,060
<u>Routine Capital Expenditure</u>			
398	307	Miscellaneous Capital Works	56
251	101	IT Projects and Equipment	303
337	200	Equipment, Machinery and Vehicles	281
<hr/> 986	<hr/> 608		<hr/> 640
-	(208)	Use of Accumulated Capital Allocation	(340)
<hr/> 986	<hr/> 400	Net Routine Capital Expenditure	<hr/> 300

SCRUTINY MANAGEMENT COMMITTEE

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Category</u>			
Non Formula-Led Expenditure			
394	420	Pay costs	415
		Non Pay costs	
2	14	<i>Staff Non Pay costs</i>	10
63	104	<i>Support Services</i>	102
-	1	<i>Premises</i>	1
9	31	<i>Supplies & Services</i>	25
74	150		138
468	570	Net Non Formula-Led Expenditure by Category	553

STATES' REVIEW COMMITTEE

Actual £'000s	Original Budget £'000s		Budget £'000s
<u>Net Expenditure by Category</u>			
Non Formula-Led Expenditure			
11	-	Pay costs	-
		Non Pay costs	
1	-	<i>Support Services</i>	-
5	-	<i>Supplies & Services</i>	-
6	-		-
17	-	Net Non Formula-Led Expenditure by Category	-

DEVELOPMENT & PLANNING AUTHORITY

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Category</u>			
1,089	1,094	Operating Income	1,075
Non Formula-Led Expenditure			
2,314	2,318	Pay costs	2,307
		Non Pay costs	
70	83	Staff Non Pay costs	86
135	175	Support Services	164
1	1	Premises	1
18	22	Transport	22
10	15	Supplies & Services	15
-	-	Balance of Budget Reduction	(45)
234	296		243
1,459	1,520	Net Non Formula-Led Expenditure by Category	1,475
<u>Net Expenditure by Service Area</u>			
108	136	Central Services	140
130	112	Building Control	150
158	160	Planning Control	178
473	522	Planning Support	464
590	590	Policy & Conservation	588
-	-	Balance of Budget Reduction	(45)
1,459	1,520	Net Expenditure by Service Area	1,475

OVERSEAS AID & DEVELOPMENT COMMISSION

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Category</u>			
Non Formula-Led Expenditure			
Non Pay costs			
2,855	2,885	<i>Third Party Payments</i>	2,915
<u>2,855</u>	<u>2,885</u>	Total Net Expenditure by Category	<u>2,915</u>
<u>Net Expenditure by Service Area</u>			
Non Formula-Led Expenditure			
2,655	2,685	Overseas Aid Grants	2,715
200	200	Emergency Disaster Relief	200
<u>2,855</u>	<u>2,885</u>	Net Expenditure by Service Area	<u>2,915</u>

STATES' TRADING SUPERVISORY BOARD

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Category</u>			
5,732	6,038	Operating Income	6,171
Non Formula-Led Expenditure			
3,735	4,106	Pay costs	4,011
56	60	Non Pay costs	47
1,031	1,045	Staff Non Pay costs	1,071
1,782	1,863	Support Services	1,853
54	31	Premises	34
532	542	Transport	695
3,455	3,541	Supplies & Services	3,700
1,458	1,609		1,540
-	(25)	Financial Transformation Programme Target	-
1,458	1,584	Net Non Formula-Led Expenditure by Category	1,540
<u>Net Expenditure by Service Area</u>			
701	786	Alderney Airport	802
483	481	Central Services	479
96	106	Shareholder Executive	64
(1,595)	(1,595)	Solid Waste	(1,595)
1,773	1,831	States Property Services	1,790
1,458	1,609		1,540
-	(25)	Financial Transformation Programme Target	-
1,458	1,584	Net Expenditure by Service Area	1,540
<u>Routine Capital Expenditure</u>			
363	474	Miscellaneous Capital Works	747
-	-	Equipment, Machinery and Vehicles	374
363	474		1,121
-	(4)	Use of Accumulated Capital Allocation	(421)
363	470	Net Routine Capital Expenditure	700

ROYAL COURT

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Category</u>			
1,881	1,990	Operating Income	2,026
Non Formula-Led Expenditure			
3,769	3,715	Pay costs	3,675
		Non Pay costs	
3	8	Staff Non Pay costs	9
241	344	Support Services	342
192	230	Premises	228
-	5	Third Party Payments	5
5	7	Transport	8
228	221	Supplies & Services	219
669	815		811
2,557	2,540	Net Non Formula-Led Expenditure by Category	2,460
<u>Net Expenditure by Service Area</u>			
821	848	Bailiffs Office	826
564	706	Client Services	670
1,015	828	Court Services	807
157	158	Parliament	157
2,557	2,540	Net Expenditure by Service Area	2,460
<u>Routine Capital Expenditure</u>			
197	50	Miscellaneous Capital Works	-
-	100	IT Projects and Equipment	50
-	50	Equipment, Machinery and Vehicles	50
197	200		100
-	-	Use of Accumulated Capital Allocation	(100)
197	200	Net Routine Capital Expenditure	-

LAW OFFICERS

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
<u>Net Expenditure by Category</u>			
222	180	Operating Income	180
Non Formula-Led Expenditure			
4,678	4,573	Pay costs	4,373
18	36	Non Pay costs	
115	112	Staff Non Pay costs	37
20	24	Support Services	123
1	2	Premises	44
101	133	Transport	-
		Supplies & Services	133
255	307		337
4,711	4,700	Net Non Formula-Led Expenditure by Category	4,530
<u>Routine Capital Expenditure</u>			
-	20	Miscellaneous Capital Works	-
119	48	IT Projects and Equipment	83
119	68		83
-	(68)	Use of Accumulated Capital Allocation	(83)
119	-	Net Routine Capital Expenditure	-

STATES OF ALDERNEY

2015 Actual £'000s	2016 Original Budget £'000s		2017 Budget £'000s
		<u>Net Expenditure by Category</u>	
1,354	1,451	Operating Income	1,477
		Non Formula-Led Expenditure	
1,673	1,835	Pay costs	1,799
		Non Pay costs	
20	43	Staff Non Pay costs	16
636	608	Support Services	570
389	436	Premises	523
233	180	Third Party Payments	216
138	85	Transport	90
124	164	Supplies & Services	93
1,540	1,516		1,508
-	(20)	Efficiency Target	-
1,859	1,880	Net Non Formula-Led Expenditure by Category	1,830

Note: The Budget for the States of Alderney for 2017 will be considered at the 19 October 2016 meeting of the States of Alderney.

CORPORATE HOUSING PROGRAMME FUND

2015 Actual £'000s	2016 Original Budget £'000s	2016 Probable Outturn £'000s		2017 Budget £'000s
<u>Income and Expenditure by Category</u>				
Income				
128	250	544	Sale of Incompatible Housing Stock	-
128	250	544	Total Income	-
Expenditure				
Non Pay Costs				
(539)	(500)	(600)	Premises	(885)
(3,935)	(15,650)	(4,740)	Third Party Payments	(3,279)
(4,474)	(16,150)	(5,340)		(4,164)
(4,346)	(15,900)	(4,796)	Net (Deficit) for the year	(4,164)
<u>Net Income / (Expenditure) by Service Area</u>				
128	250	544	Sale of Incompatible Housing Stock	-
(539)	(500)	(600)	Modernisation	(885)
Corporate Initiatives & Strategies				
(2,110)	(650)	(650)	Older People Housing & Support	-
(1,825)	(15,000)	(3,540)	Social Housing Development Programme	(1,841)
-	-	(550)	Supported Living	(1,438)
(3,935)	(15,650)	(4,740)		(3,279)
(4,346)	(15,900)	(4,796)	Net (Deficit) for the year	(4,164)
58,129	30,330	33,783	Balance of Fund at 1st January	28,987
(20,000)	-	-	Transfer to Capital Reserve	-
(4,346)	(15,900)	(4,796)	Net (Deficit) for the year	(4,164)
33,783	14,430	28,987	Balance of Fund at 31st December	24,823

SOLID WASTE TRADING ACCOUNT

2015 Actual £'000s	2016 Original Budget £'000s	2016 Probable Outturn £'000s		2017 Budget £'000s
<u>Net Income by Category</u>				
Income				
6,315	7,256	6,389	<i>Operating Income</i>	6,519
24	30	2	<i>Investment Return</i>	-
6,339	7,286	6,391	Total Income	6,519
Expenditure				
(456)	(550)	(372)	<i>Pay Costs</i>	(333)
(4)	-	(5)	<i>Staff Non-Pay Costs</i>	(6)
(4,444)	(5,612)	(5,028)	<i>Support Services</i>	(4,985)
(46)	-	(125)	<i>Premises</i>	(127)
-	-	(1)	<i>Transport</i>	(1)
(312)	(477)	(358)	<i>Supplies & Services</i>	(425)
(5,262)	(6,639)	(5,887)	Total Expenditure	(5,877)
1,077	647	503	Net Surplus for the Year	642
3,344	1,618	3,711	<i>Balance at 1 January</i>	2,619
1,077	647	503	<i>Net Surplus for the year</i>	642
885	-	-	<i>Adjustment for Capital Expenditure (2015 and earlier)</i>	-
(1,595)	(1,595)	(1,595)	<i>Transfer to General Revenue</i>	(1,595)
3,711	670	2,619	Balance at 31 December	1,666
<u>Capital Expenditure</u>				
1,385	-	-	Miscellaneous Capital Works	-
-	-	-	IT Projects and Equipment	40
-	187	187	Equipment, Machinery and Vehicles	50
1,385	187	187		90
(1,385)	(187)	(187)	Loans from General Revenue for Capital Expenditure	(90)
-	-	-	Total Capital Expenditure for the Financial Year	-

GUERNSEY REGISTRY

2015 Actual £'000s	2016 Original Budget £'000s	2016 Probable Outturn £'000s		2017 Budget £'000s
<u>Net Income by Category</u>				
Income				
9,945	10,253	10,066	Operating Income	10,093
Expenditure				
(460)	(472)	(391)	Pay costs	(401)
Non Pay costs				
(5)	(21)	(7)	Staff Non Pay costs	(15)
(246)	(386)	(377)	Support Services	(439)
(124)	(146)	(136)	Premises	(147)
(18)	(38)	(23)	Supplies & Services	(41)
(393)	(591)	(543)		(642)
9,092	9,190	9,132	Surplus transferred to General Revenue	9,050
<u>Net Income / (Expenditure) by Service Area</u>				
Company Registry				
9,815	10,121	9,919	Income	9,946
(814)	(996)	(873)	Expenditure	(966)
9,001	9,125	9,046		8,980
Intellectual Property Office				
130	132	147	Income	147
(39)	(67)	(61)	Expenditure	(77)
91	65	86		70
9,092	9,190	9,132	Surplus transferred to General Revenue	9,050

GUERNSEY AIRPORT

2015 Actual £'000s	2016 Original Budget £'000s	2016 Probable Outturn £'000s		2017 Budget £'000s
<u>Net Expenditure by Category</u>				
11,916	12,156	12,258	Operating Income	12,451
(7,024)	(6,595)	(7,104)	Pay costs	(6,993)
			Non Pay costs	
(187)	(230)	(233)	Staff Non Pay costs	(247)
(5,224)	(1,479)	(3,193)	Support Services	(1,131)
(1,464)	(1,186)	(1,575)	Premises	(1,270)
(22)	(31)	(60)	Transport	(38)
(1,851)	(2,069)	(2,113)	Supplies & Services	(2,192)
(8,748)	(4,995)	(7,174)		(4,878)
(3,856)	566	(2,020)	Operating Surplus / (Deficit) before depreciation	580
(1,475)	(1,278)	(1,278)	Depreciation	(1,234)
(5,331)	(712)	(3,298)	Operating (Deficit) after depreciation	(654)
<u>Net Income / (Expenditure) by Service Area</u>				
			Income	
392	440	393	Advertising, picketing etc	388
769	770	786	Airport Development Charge	782
734	750	726	Car Parking Fees	790
1,927	1,995	1,973	Rents	1,954
7,920	8,024	8,202	Traffic Receipts	8,357
11,742	11,979	12,080		12,271
			Operational Expenditure	
(1,093)	(1,067)	(1,121)	Administration	(1,030)
(2,190)	(1,884)	(2,180)	Aerodrome Fire Service	(2,098)
(7,076)	(2,884)	(5,097)	Airport Infrastructure	(2,627)
(1,552)	(1,851)	(1,895)	Airport Security	(2,015)
(3,861)	(3,905)	(3,985)	Navigational Services	(4,101)
(15,772)	(11,591)	(14,278)		(11,871)
174	178	178	Recovery From Alderney Airport	180
(3,856)	566	(2,020)	Operating Surplus / (Deficit) before depreciation	580
(1,475)	(1,278)	(1,278)	Depreciation	(1,234)
(5,331)	(712)	(3,298)	Operating (Deficit) after depreciation	(654)

GUERNSEY AIRPORT

2015 Actual £'000s	2016 Original Budget £'000s	2016 Probable Outturn £'000s		2017 Budget £'000s
<u>Capital Expenditure</u>				
-	(400)	(206)	Miscellaneous Capital Works	(1,770)
(163)	(1,818)	(281)	Equipment, Machinery and Vehicles	(925)
(163)	(2,218)	(487)	Routine Capital Expenditure	(2,695)
(492)	(500)	-	Airport Pavements Project	-
(126)	(131)	-	Airport Radar	-
618	631	-	Transfer from Capital Reserve	-
(163)	(2,218)	(487)	Net Capital Expenditure	(2,695)

HARBOURS

2015 Actual £'000s	2016 Original Budget £'000s	2016 Probable Outturn £'000s		2017 Budget £'000s
<u>Net Expenditure by Category</u>				
9,057	9,255	8,843	Operating Income	8,914
(3,803)	(3,726)	(3,409)	Pay costs	(3,435)
			Non Pay costs	
(175)	(179)	(128)	Staff Non Pay costs	(189)
(34)	-	44	Peripheral Activities	-
(786)	(828)	(898)	Support Services	(883)
(1,493)	(2,216)	(1,445)	Premises	(1,549)
(82)	(105)	(91)	Transport	(139)
(384)	(224)	(373)	Supplies & Services	(358)
(2,954)	(3,552)	(2,891)		(3,118)
2,300	1,977	2,543	Operating Surplus before depreciation	2,361
(1,035)	(1,270)	(1,270)	Depreciation	(1,321)
1,265	707	1,273	Operating Surplus after depreciation	1,040

HARBOURS

2015 Actual £'000s	2016 Original Budget £'000s	2016 Probable Outturn £'000s		2017 Budget £'000s
<u>Net Income / (Expenditure)</u>				
<u>by Service Area</u>				
3,354	3,202	3,233	Commercial Port Operations	3,006
(394)	(408)	(182)	Property	(111)
487	160	768	Leisure	851
(1,124)	(959)	(1,259)	Non-Commercial Port Operations	(1,358)
(22)	(18)	(18)	Ships Registry	(27)
2,300	1,977	2,543	Operating Surplus before Depreciation	2,361
(1,035)	(1,270)	(1,270)	Depreciation	(1,321)
1,265	707	1,273	Operating Surplus after Depreciation	1,040
<u>Capital Expenditure</u>				
(1,087)	(1,900)	(650)	Miscellaneous Capital Works	(2,650)
(20)	(450)	(130)	IT Projects and Equipment	(250)
(187)	(2,040)	(20)	Equipment, Machinery, Vehicles and Vessels	(1,100)
(1,294)	(4,390)	(800)	Routine Capital Expenditure	(4,000)
(900)	(190)	-	Crane Strategy	-
-	(1,150)	-	Deep Water Berth Investigations	-
900	1,340	-	Less transfer from Capital Reserve	-
(1,294)	(4,390)	(800)	Net Capital Expenditure	(4,000)

PORTS HOLDING ACCOUNT

2015 Actual £'000s	2016 Original Budget £'000s	2016 Probable Outturn £'000s		2017 Budget £'000s
			Operating Surplus / (Deficit) before depreciation	
(3,856)	566	(2,020)	Guernsey Airport	580
2,300	1,977	2,543	Harbours	2,361
(1,556)	2,543	523		2,941
24	20	(26)	Investment Return	-
			Capital Expenditure	
(163)	(2,218)	(487)	Guernsey Airport	(2,695)
(1,294)	(4,390)	(800)	Harbours	(4,000)
-	-	700	Asset disposal	-
(1,457)	(6,608)	(587)		(6,695)
(2,989)	(4,045)	(90)	(Deficit) before depreciation	(3,754)
(2,510)	(2,548)	(2,548)	Depreciation	(2,555)
(5,499)	(6,593)	(2,638)	(Deficit) for the year	(6,309)
6,023	4,045	3,034	Balance at 1st January	2,944
(2,989)	(4,045)	(90)	(Deficit) for the year before depreciation	(3,754)
3,034	-	2,944	Balance at 31st December	(810)

GUERNSEY WATER

2015 Actual £'000s	2016 Original Budget £'000s	2016 Probable Outturn £'000s		2017 Budget £'000s
Net Income by Service Area				
Income				
			Water Supplies	
6,934	7,286	7,125	<i>Measured</i>	7,271
3,655	3,630	3,565	<i>Unmeasured</i>	3,569
			Waste Water	
2,127	2,220	2,151	<i>Measured</i>	2,202
1,218	1,246	1,235	<i>Unmeasured</i>	1,273
1,059	1,105	1,104	<i>Cesspit Emptying Charges</i>	1,137
291	-	547	<i>Grant from General Revenue</i>	549
439	250	300	Surplus on other trading activities before management expenses and depreciation	333
15,723	15,737	16,027		16,334
Expenditure				
			Operating Expenses	
(317)	(449)	(445)	<i>Asset Management</i>	(432)
(1,197)	(1,244)	(1,236)	<i>Pumping Stations</i>	(1,314)
(3,366)	(3,508)	(3,409)	<i>Sewers</i>	(3,440)
(559)	(539)	(625)	<i>Water distribution</i>	(579)
(2,158)	(2,065)	(1,958)	<i>Water production</i>	(2,019)
			Management Expenses	
(632)	(763)	(722)	<i>Compliance</i>	(611)
(648)	(559)	(782)	<i>Customer services</i>	(694)
(674)	(1,205)	(990)	<i>Management and general</i>	(1,198)
(1,129)	(1,190)	(1,145)	<i>Support Services</i>	(912)
(10,680)	(11,522)	(11,312)		(11,199)
5,043	4,215	4,715	Operating Surplus before depreciation	5,135
(4,156)	(3,970)	(4,321)	Depreciation	(4,412)
-	-	(30)	Loss on disposal of fixed assets	(75)
887	245	364	Operating Surplus for the year	648
61	200	40	Net Interest receivable	40
948	445	404	Surplus for the year	688
(154)	-	-	Transfer to reserve for property renewal	-
794	445	404	Retained Surplus for the year transferred to Revenue Account Reserve	688

GUERNSEY WATER

2015 Actual £'000s	2016 Original Budget £'000s	2016 Probable Outturn £'000s		2017 Budget £'000s
<u>Capital Expenditure</u>				
(17,946)	(1,000)	(600)	Belle Greve Wastewater Disposal Facility	-
(1,381)	(350)	(200)	Demand Management	(300)
(189)	(330)	(280)	Management and General - Operational	(360)
(998)	(1,600)	(1,600)	Pumping Stations	(1,600)
(257)	(590)	(150)	Quality - Environmental Protection	(365)
(1,329)	(1,360)	(1,450)	Sewers	(1,338)
(438)	(460)	(460)	Water distribution	(479)
(414)	(819)	(819)	Water resources	(749)
(490)	(750)	(450)	Water treatment	(1,015)
(23,442)	(7,259)	(6,009)	Gross Capital Investment	(6,206)
-	58	-	Customer contributions and asset sales	-
17,946	1,000	600	Transfer from General Revenue	-
(5,496)	(6,201)	(5,409)	Net Capital Investment	(6,206)

STATES WORKS

2015 Actual £'000s	2016 Original Budget £'000s	2016 Probable Outturn £'000s		2017 Budget £'000s
<u>Net Income by Service Area</u>				
Income				
221	81	92	Administration	44
105	109	69	Building Maintenance	-
2,079	1,963	2,180	Cleansing and Refuse	2,239
314	356	310	Drainage	311
1,240	1,056	1,150	Electrical and Mechanical	1,155
103	102	113	Emergency Services	105
702	718	695	Fleet Services	694
1,744	1,794	1,550	Highway Repairs	1,558
2,219	2,284	2,080	Land Management	2,090
3,278	3,106	3,272	Landfill and Recycling	3,390
222	208	208	Management Services	205
2,401	2,432	2,420	Sewage Collection	2,380
432	406	406	Signs and Lines	408
488	420	420	Stores	422
15,548	15,035	14,965		15,001
Expenditure				
			Management Expenses	
(430)	(556)	(559)	Administration Expenses	(556)
(204)	(168)	(202)	Building maintenance	(203)
(1,494)	(1,666)	(1,611)	Salaries, wages and superannuation	(1,595)
			Operating Expenses	
(7,102)	(7,174)	(7,024)	Labour	(7,008)
(4,046)	(3,475)	(3,736)	Materials	(3,721)
(365)	(354)	(320)	Transport and plant	(322)
(13,641)	(13,393)	(13,452)		(13,405)
1,907	1,642	1,513	Operating Surplus before depreciation	1,596
(891)	(1,134)	(993)	Depreciation	(1,246)
1,016	508	520	Operating Surplus for the year	350
60	70	12	Net Interest Receivable	12
1,076	578	532	Surplus for the year	362
<u>Capital Expenditure</u>				
(9)	(112)	(12)	Office Equipment	(161)
(134)	(360)	(335)	Site Developments	(200)
(1,468)	(1,333)	(1,963)	Vehicles, Plant, Tools and Equipment	(1,402)
(1,611)	(1,805)	(2,310)	Total Capital Expenditure for the Financial year	(1,763)

GUERNSEY DAIRY

2015 Actual £'000s	2016 Original Budget £'000s	2016 Probable Outturn £'000s		2017 Budget £'000s
<u>Net Income by Service Area</u>				
			Sales	
1,552	1,466	1,497	<i>Dairy products</i>	1,696
5,657	5,735	5,842	<i>Liquid Milk</i>	5,926
35	25	25	Sundry income	24
7,244	7,226	7,364	Total Income	7,646
			Cost of Sales	
(44)	(36)	(40)	<i>Dairy product ingredients</i>	(50)
(3,654)	(3,680)	(3,802)	<i>Milk</i>	(3,975)
(111)	(110)	(116)	<i>Milk working loss</i>	(120)
(72)	(72)	(72)	<i>Freight</i>	(72)
(544)	(461)	(461)	<i>Packaging materials</i>	(500)
(884)	(862)	(890)	<i>Production wages</i>	(885)
(5,309)	(5,221)	(5,381)		(5,602)
			Expenses	
(89)	(127)	(90)	Advertising and promotion	(90)
(64)	(67)	(67)	Cleaning materials	(65)
(288)	(309)	(300)	Fuel, light, power, water and rates	(290)
(46)	(38)	(50)	General administration costs	(40)
(99)	(94)	(94)	Laboratory expenses	(100)
(26)	(36)	(31)	Motor vehicle expenses	(30)
(38)	(57)	(50)	Other expenses	(50)
(185)	(147)	(181)	Professional fees	(340)
(181)	(154)	(204)	Repairs, maintenance and insurance	(165)
(612)	(584)	(564)	Salaries and wages	(585)
(1,628)	(1,613)	(1,631)		(1,755)
(6,937)	(6,834)	(7,012)	Total Expenditure	(7,357)
307	392	352	Operating Surplus before depreciation, interest and exceptional item	289
-	-	(750)	Exceptional items	-
(204)	(256)	(235)	Depreciation/impairment of assets	(258)
103	136	(633)	Operating Surplus/(Deficit) for the year	31
30	117	30	Net Interest receivable	10
133	253	(603)	Surplus/(Deficit) for the year	41
<u>Capital Expenditure</u>				
(30)	(30)	(120)	Miscellaneous Capital Works	(250)
(8)	-	-	IT Projects and Equipment	-
(160)	(1,112)	(1,112)	Equipment, Machinery and Vehicles	(250)
(198)	(1,142)	(1,232)	Total Capital Expenditure for the Financial Year	(500)

STATES CAPITAL INVESTMENT PORTFOLIO - OPERATING COSTS

2015 Actual £'000s	2016 Original Budget £'000s	2016 Probable Outturn £'000s		2017 Budget £'000s
<u>Net Expenditure by Category</u>				
			Pay costs	
460	778	480	<i>Established Staff</i>	775
<hr/>	<hr/>	<hr/>		<hr/>
460	778	480		775
			Non Pay costs	
3	57	3	<i>Staff Non Pay costs</i>	65
35	32	29	<i>Support Services</i>	32
2	5	1	<i>Supplies & Services</i>	5
<hr/>	<hr/>	<hr/>		<hr/>
40	94	33		102
<hr/>	<hr/>	<hr/>		<hr/>
500	872	513	Total Expenditure by Category	877
<hr/>	<hr/>	<hr/>		<hr/>

SUPERANNUATION FUND ADMINISTRATION

2015 Actual £'000s	2016 Original Budget £'000s	2016 Probable Outturn £'000s		2017 Budget £'000s
<u>Net Expenditure by Category</u>				
			Pay costs	
378	461	452	<i>Established Staff</i>	457
378	461	452		457
			Non Pay costs	
393	173	299	<i>Consultants Fees</i>	291
147	69	69	<i>Support Services</i>	74
540	242	368		365
918	703	820	Total Expenditure by Category	822
<u>Capital Expenditure</u>				
-	-	130	ICT System	70
-	-	130	Routine Capital Expenditure	70

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

CONTRIBUTORY FUNDS

2015 Actual £'000s	2016 Original Budget £'000s	2016 Probable Outturn £'000s		2017 Budget £'000s
			<u>Net Income / (Expenditure)</u>	
			<u>by Category</u>	
			Income	
157,203	161,040	159,848	<i>Contribution Income</i>	172,081
19,595	20,090	19,921	<i>States Grants</i>	15,557
176,798	181,130	179,769		187,638
			Benefit Expenditure	
(129,809)	(134,590)	(135,098)	<i>Social Insurance</i>	(140,602)
(39,767)	(42,408)	(41,189)	<i>Health Insurance</i>	(41,973)
(17,913)	(18,325)	(18,225)	<i>Long-term Care Insurance</i>	(19,510)
(187,489)	(195,323)	(194,512)		(202,085)
			Administration	
(4,163)	(4,673)	(4,549)	<i>Pay Costs</i>	(4,592)
(35)	(20)	(21)	<i>Staff Non Pay costs</i>	(23)
(1,911)	(2,100)	(2,040)	<i>Support Services</i>	(1,935)
(72)	(74)	(71)	<i>Premises</i>	(65)
(176)	(180)	(180)	<i>Supplies & Services</i>	(193)
(6,357)	(7,047)	(6,861)		(6,808)
(177)	(130)	(121)	Depreciation	(114)
(17,225)	(21,370)	(21,725)	Operating Deficit Before Investing Activities	(21,369)
			<u>Net Income / (Expenditure)</u>	
			<u>by Service Area</u>	
(19,330)	(21,558)	(22,956)	Guernsey Insurance Fund	(24,139)
1,377	(379)	513	Guernsey Health Service Fund	(4,260)
728	567	718	Long-term Care Insurance Fund	7,030
(17,225)	(21,370)	(21,725)	Operating Deficit Before Investing Activities	(21,369)
			<u>Routine Capital Expenditure</u>	
-	(20)	(10)	Miscellaneous Capital Works	(20)
-	(125)	(15)	Equipment, Machinery and Vehicles	(225)
-	(250)	(100)	IT Projects and Equipment	(200)
-	(395)	(125)	Net Routine Capital Expenditure	(445)

THE LADIES COLLEGE (Senior School)

2014/2015	2015/2016		2016/2017
Actual	Budget		Budget
£'000s	£'000s		£'000s
<u>Net Income by Category</u>			
Income			
2,072	2,064	Fees	2,155
62	28	Miscellaneous Income	27
1,922	1,897	States Grant	1,818
4,056	3,989		4,000
Expenditure			
8	12	Art	8
6	6	Audit Fee	8
103	112	Books and Stationery	113
-	-	Depreciation	167
54	60	Examination Fees	60
50	69	Fixed Asset Acquisition Costs	44
37	42	General Administrative Expenses	52
12	14	Laboratory and Design and Technology Expenses	14
174	184	Maintenance of Buildings, Grounds and Equipment	184
16	21	Marketing and Development Expenses	22
19	30	Rates, Taxes and Insurance	25
56	31	Recruitment and Relocation	36
2,995	3,157	Salaries and Wages	3,220
27	37	Sports, conferences, field trips etc.	40
10	15	Staff training	15
72	87	Utilities	87
3,639	3,877		4,095
417	112	Revenue Surplus / (Deficit) for the year	(95)
551	500	Fundraising donations received	200
-	-	Bank Interest payable	(42)
1,418	2,386	Balance b/f from previous year	2,998
2,386	2,998	Balance c/f to next year	3,061