



BILLET D'ÉTAT

TUESDAY, 15th DECEMBER, 2020

**XXVI
2020**

BUSINESS OF THE MEETING

1. Policy & Resources Committee - The States of Guernsey Annual Budget for 2021, P.2020/193
2. Committee *for* Employment & Social Security – Non-contributory benefit rates for 2021, P.2020/191

BILLET D'ÉTAT

TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY

I hereby give notice that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE**, on **TUESDAY**, the **15th December, 2020** at **9.30 a.m.**, to consider the items listed in this Billet d'État which have been submitted for debate.

R. J. McMAHON
Bailiff and Presiding Officer

The Royal Court House
Guernsey

17th November, 2020

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ANNUAL BUDGET FOR 2021

The States are asked to decide:-

Whether, after consideration of the States of Guernsey Annual Budget for 2021, they are of the opinion:-

1. ☐ To agree that transfers are not made from General Revenue to the Capital Reserve in either 2020 or 2021.
2. ☐ To endorse the intention of the Policy & Resources Committee to fund the forecast General Revenue deficits in 2020 and 2021 of £59million and £23million respectively as follows:
 - (a) ☐ £50million from the Core Investment Reserve in 2020; and
 - (b) ☐ £32million from the General Revenue Account Reserve.
3. ☐ To approve that returns of capital from the States' trading assets and capital income in 2021 be transferred to the Capital Reserve.
4. ☐ To endorse the intention of the Policy & Resources Committee to increase the standard charge specified in Section 5B(2) of the Income Tax (Guernsey) Law, 1975, as amended, from £30,000 to £40,000 in respect of the Year of Charge 2021 and subsequent years, by regulation under that subsection, and to resolve that the level of the standard charge is not reviewed or increased for at least 5 years.
5. ☐ To agree that the annual tax-free lump sum limit for a pension scheme is set at £203,000 for 2021.
6. ☐ To amend Section 40(nn) of the Income Tax (Guernsey) Law, 1975, as amended, to clarify that income paid from an international savings plan is exempt from tax in the manner set out in paragraphs 4.10 and 4.11, and to direct the preparation of such legislation as may be necessary to give effect to this decision, which will also require a consequential amendment to the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc (Bailiwick of Guernsey) Law, 2000.
7. ☐ To amend the Income Tax (Guernsey) Law, 1975 to enable the Director of the Revenue Service, where there exist exceptional and compelling events or circumstances, to issue guidance by means of statements of practice derogating from or otherwise modifying

the provisions of Section 3 of the Law for the purpose of calculating the number of days spent in Guernsey for tax residence purposes, and to direct the preparation of such legislation as may be necessary to give effect to this decision.

- 8.□ To amend Sections 199(6)(a)(i) and 199(11)(b)(i) of the Income Tax (Guernsey) Law, 1975, as amended, to allow for the date on which liability to surcharges arises (currently 15 January) to be postponed by the Director of the Revenue Service where, for example, the Director amends the filing date for tax returns, and to direct the preparation of such legislation as may be necessary to give effect to this decision.
- 9.□ In the second schedule attached to the next proposition, to replace the text for “Charge of Children Allowance” and the text under (ii) of the transferability of unused allowances with the following (to enable relevant claims to be made where an individual is not eligible to receive Family Allowance due to the level of their income):

Charge of Children Allowance

- (1) The conditions to be fulfilled to entitle a claimant who is married or in a civil partnership to a charge of children allowance are:
 - (a) that in the year of charge the claimant, or the claimant's spouse, is in receipt of Family Allowances in respect of one or more children -
 - (i) on 1 January, or
 - (ii) on the date on which Family Allowance is first claimed in respect of that child in the year in question,whichever date is first relevant, and
 - (b) that the claimant proves that throughout the year either the claimant or the claimant's spouse is totally incapacitated by physical or mental infirmity and that a person is maintained or employed by the claimant for the purpose of having the charge and care of the child, and
 - (c) that neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained or, if the claimant or any other individual is so entitled, that the claim has been relinquished.

Provided that, for the purposes of subparagraph (a), the claimant or the claimant's spouse, as the case may be, shall be deemed to be in receipt of a Family Allowance in respect of a child in a year of charge if they are not in receipt of such an Allowance solely by reason of the amount of their income exceeding the maximum amount prescribed for persons to be eligible for the receipt of such an Allowance.

This proviso is in addition to and not in derogation from paragraph (4).

- (2) The conditions to be fulfilled to entitle a claimant who is not married or in a civil partnership to a charge of children allowance are that in the year of charge:
- (a) the claimant is in receipt of Family Allowances in respect of one or more children -
 - (i) on 1 January, or
 - (ii) on the date on which Family Allowance is first claimed in respect of that child in the year in question,whichever date is first relevant, and
 - (b) the claimant is not cohabiting with another person, except where -
 - (i) the claimant proves that throughout the year either the claimant or the claimant's cohabitee is totally incapacitated by physical or mental infirmity, and that a third person is maintained or employed by the claimant for the purpose of having the charge and care of the child, and
 - (ii) neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained or if the claimant or any other individual is so entitled that the claim has been relinquished.

Provided that, for the purposes of subparagraph (a), claimants shall be deemed to be in receipt of a Family Allowance in respect of a child in a year of charge if -

- (A) ☐ they are not in receipt of such an Allowance solely by reason of the amount of their income exceeding the maximum amount prescribed for persons to be eligible for the receipt of such an Allowance, and
- (B) ☐ in the case of claimants who are not cohabiting with another person, they are the principal carer of the child.

This proviso is in addition to and not in derogation from paragraph (4).

- (3) The claimant shall have relinquished any claim to a housekeeper allowance or to an infirm person's allowance for that year.
- (4) Where an individual has a child receiving higher education or a child aged 18 receiving secondary education, that individual shall, for the purposes of the preceding paragraphs numbered (1) to (3), be deemed to be in receipt of a Family Allowance in respect of the said child.

Provided that if there are two such individuals the charge of children allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that child.

- (5) Not more than one allowance shall be granted to any claimant for any year.

Transferability of unused allowances

ii) transfers between co-habiting couples in receipt or deemed receipt of Family Allowance, but not eligible for the charge of children allowance

Where the recipient or deemed recipient of a Family Allowance in respect of one or more children is not entitled to claim the charge of children allowance because the claimant is cohabiting with another person, the claimant may, in respect of the year of charge, by notice in writing addressed to the Director, elect that any unused part of the personal allowance to which the claimant would otherwise be entitled shall cease to be the claimant's and shall become part of the personal allowance of the person with whom they are cohabiting, such election, once made, to be irrevocable in respect of that year of charge.

For the purposes of this paragraph "cohabiting" means living with another person, as if they were married or in a civil partnership, throughout the year of charge and "deemed receipt" and "deemed recipient" of Family Allowance mean deemed by virtue of the proviso to paragraph (2) of Charge of Children Allowance above.

10.□ That,

- (a) subject to the provisions of the Income Tax (Guernsey) Law, 1975 and to the provisions of this Proposition, the allowances claimable for the Year of Charge 2021 by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate, shall be the allowances specified in the First Schedule to this proposition;
- (b)□ the allowances specified in the First Schedule to this Proposition shall only be granted to an individual who has made a claim in accordance with the provisions of the Income Tax (Guernsey) Law, 1975 and who has proved the conditions applicable to such allowances and prescribed in the Second Schedule to this Proposition have been fulfilled;
- (c)□ "Family Allowances" means Family Allowances payable under the Family Allowances (Guernsey) Law, 1950 as amended; and
- (d)□ "the Income Tax (Guernsey) Law, 1975" means that Law as amended, extended or applied by or under any other enactment.

FIRST SCHEDULE
Year of Charge 2021

Allowances claimable by an individual solely or principally resident in Guernsey by way of relief from income tax at the standard rate. In order to calculate the amount of the allowance, where the taxpayers are married or in a civil partnership, each spouse's income shall be considered separately, in accordance with the table below. All allowances are subject to the following conditions –

- (i) the allowances shall be pro-rated for a person who is solely or principally resident in the years of that person's arrival in, or permanent departure from, Guernsey, based on the proportion of time spent in Guernsey in the relevant year of charge in the same manner in which income is pro-rated by virtue of sections 5(3) and 5(4) of the Income Tax (Guernsey) Law, 1975,
- (ii) where a person is in receipt of a Guernsey source pension, which is liable to be taxed at source under the Employees Tax Instalment scheme, or a Guernsey old age pension arising under section 33 of the Social Insurance (Guernsey) Law 1978, then the pro-rating under section 51(5) and 51A(2A) of the Income Tax (Guernsey) Law, 1975 shall apply –
 - (a) from the commencement of the year of charge until the date of arrival (in the case of that person's permanent arrival),
 - (b) from the date of departure until the end of the year of charge (in the case of that individual's permanent departure), and
- (iii) the totality of each person's allowances and withdrawable deductions are reduced at a ratio of £1 of allowances and withdrawable deductions for every £5 that that person's calculated income is above the limit of £100,000 (such limit being pro-rated in the year of arrival or departure, based on the proportion of time spent in Guernsey in the relevant year).

For the purpose of this schedule –

- (a) calculated income is an individual's income net of deductions but gross of any withdrawable deductions to which that individual is entitled, and
- (b) the withdrawable deductions are the following deductions -
 - ☐ Pension contributions, namely
 - o Retirement Annuity Allowance
 - o contributions to an approved occupational or personal pension schemeover £1,000 (which aggregate amount shall not be withdrawn, and shall not form part of the 'withdrawable deductions')
 - ☐ Mortgage interest relief

NATURE OF ALLOWANCE

AMOUNT OF ALLOWANCE

- | | |
|---|---|
| 1. Personal Allowance*^ | Tax at the standard rate on £11,875. |
| 2. Dependent Relative Allowance* | <p>In respect of each dependent relative - tax at the standard rate on £3,850 or on the amount of the contributions whichever is less:</p> <p>Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £8,025 the allowance shall be reduced to tax at the standard rate on such sum as remains after subtracting from £3,850 the sum of £1 for every pound by which the dependent relative's income exceeds £8,025.</p> |
| 3. Infirm Person's Allowance* | Tax at the standard rate on £3,850 |
| 4. Housekeeper Allowance | Tax at the standard rate on £3,850 |
| 5. Charge of Children Allowance* | Tax at the standard rate on £8,075 |
| 6. Retirement Annuity Allowance | Tax at the standard rate on a sum equal to the qualifying premiums or contributions. |

SECOND SCHEDULE

Conditions applicable to the allowances specified in the First Schedule

Dependent Relative Allowance

- A. (1) The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in the case of a child receiving higher education are:
- (a) that the child in respect of whom an allowance is claimed -
 - (i) is the child of the claimant, or
 - (ii) is the illegitimate child of the claimant and in the year of charge is maintained by the claimant;
 - (b) that on the first day of August in the year of charge, the child is over the age of nineteen years and is, in that year of charge, receiving full-time instruction at any university, college, school or other educational establishment.
 - (c) that the claim relates to a dependent relative in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2018.
- (2) The expression "child" shall include a stepchild, and a child who has been lawfully adopted shall be treated as the child of the individual by whom he has been so adopted and not as the child of the natural parent.
- (3) Where a couple are cohabiting as if they were married and either has a child in respect of whom a dependent relative allowance is claimable, either individual by a notice in writing addressed to the Director may elect that, for the purposes of the said allowance, the child shall be treated as if it were the child of that cohabitee.
- (4) In computing the amount of a child's income in his own right, no account shall be taken of any sum to which the child is entitled as the holder of a scholarship, bursary or other similar educational endowment.
- (5) Where two or more persons jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.

- B. (1) The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in any other case are:
- (a) that the claimant at his own expense maintains or contributes towards the maintenance of a person being a relative of the claimant or of the claimant's spouse; and
 - (b) that the person so maintained is prevented by incapacity due to old age or infirmity from maintaining himself; and
 - (c) that the claim relates to a dependent relative in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.
- (2) Where two or more persons jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.

Infirm Person's Allowance

- (1) The conditions to be fulfilled to entitle a claimant to an infirm person's allowance are:
- (a) that the claimant is by reason of old age or infirmity or by reason of the old age or infirmity of the claimant's spouse compelled to maintain or employ an individual solely for the purpose of having care of the claimant or the claimant's spouse;

Provided that the allowance shall not be granted by reason of infirmity unless throughout the year the claimant or the claimant's spouse was permanently incapacitated by physical or mental infirmity.
 - (b) if such an individual is a relative of the claimant or of the claimant's spouse and if the claimant is entitled to any other allowance in the First Schedule in respect of that individual, that the claim has been relinquished;
 - (c) that the claim relates to an infirm person in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.
- (2) Not more than one allowance shall be allowed to any claimant for any year.

Housekeeper Allowance

- (1) The conditions to be fulfilled to entitle the claimant to a housekeeper allowance are:
 - (a) that the claimant is a widow or widower.
 - (b) that in the year of charge a person is employed or maintained by the claimant solely for the purpose of acting in the capacity of a housekeeper for the claimant;
 - (c) if such person is a relative of the claimant or of the claimant's deceased spouse and if the claimant is entitled to any other allowance in the First Schedule in respect of that person, that the claim has been relinquished;
 - (d) that the claim relates to a housekeeper in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.
- (2) A housekeeper allowance shall not be granted to any individual for any year in respect of more than one person.
- (3) A housekeeper allowance shall not be granted to any individual in any year in which another person's unused allowance has been transferred to that individual or if that individual is in receipt of an infirm person's allowance.
- (4) "Housekeeper" means a person who is responsible by delegation for the management of the household, including arrangements for food, housekeeping expenditure and the care of linen and laundry.

Charge of Children Allowance

- (1) The conditions to be fulfilled to entitle a claimant who is married or in a civil partnership to a charge of children allowance are:
 - (a) that in the year of charge the claimant, or the claimant's spouse, is in receipt of Family Allowances in respect of one or more children -
 - (i) ☐ on 1 January, or
 - (ii) ☐ on the date on which Family Allowance is first claimed in respect of that child in the year in question,whichever date is first relevant, and
 - (b) that the claimant proves that throughout the year either the claimant or the claimant's spouse is totally incapacitated by physical or mental infirmity and that a person is maintained or employed by the claimant for the purpose of having the charge and care of the child, and
 - (c) that neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained, or if

the claimant or any other individual is so entitled, that the claim has been relinquished.

(2) The conditions to be fulfilled to entitle a claimant who is not married or in a civil partnership to a charge of children allowance are that in the year of charge:

(a) the claimant is in receipt of Family Allowances in respect of one or more children -

(i) on 1 January, or

(ii) on the date on which Family Allowance is first claimed in respect of that child in the year in question,

whichever date is first relevant, and

(b) the claimant is not cohabiting with another person, except where -

(i) the claimant proves that throughout the year either the claimant or the claimant's cohabitee is totally incapacitated by physical or mental infirmity, and that a third person is maintained or employed by the claimant for the purpose of having the charge and care of the child, and

(ii) ☐ neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained or if the claimant or any other individual is so entitled that the claim has been relinquished.

(3) The claimant shall have relinquished any claim to a housekeeper allowance or to an infirm person's allowance for that year.

(4) Where an individual has a child receiving higher education he shall, for the purposes of the preceding paragraphs numbered (1) to (3), be treated as if he were in receipt of a Family Allowance in respect of the said child.

Provided that if there are two such individuals the charge of children allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that child

(5) Not more than one allowance shall be granted to any claimant for any year.

Retirement Annuity Allowance

- (1) The conditions to be fulfilled to entitle a claimant to a retirement annuity allowance or deduction under section 8(3)(bb) are that the claimant pays a premium or makes a contribution to a retirement annuity scheme or to a retirement annuity trust scheme approved under the provisions of section 157A of the Income Tax (Guernsey) Law, 1975 and of which the claimant or the claimant's spouse is a beneficiary.
- (2) Subject to the provisions of the next succeeding paragraph the qualifying premiums or contributions, as the case may be, shall be the amount of any premium paid or contribution made by the claimant during the year of computation of the income of the claimant assessable for the year of charge.
- (3) Notwithstanding the provisions of the preceding paragraph no allowance or deduction shall be given in respect of any qualifying premiums or contributions to the extent that, in aggregate, they exceed:
 - (a) 100% of the income of the claimant during the year of computation referred to in the preceding subparagraph, or
 - (b) any retirement annuity contribution limit for the time being prescribed by Regulations made by the Committee.

Transferability of unused allowances

- ☐ *the allowances marked with an * in the first schedule are transferable between taxpayers in the circumstances described in paragraph (i) below*
- ☐ *the allowances with an ^ in the first schedule are transferable between taxpayers in the circumstances described in paragraph (ii) below,*

and in all cases transfer is subject to the conditions detailed below.

- | | |
|---|--|
| (i) transfers between married couples or couples in a civil partnership | Any allowances due to an individual which are greater than the individual's own income may only be transferred to the spouse if at the commencement of the year of charge the claimant's spouse is living with the claimant as a married couple. |
|---|--|

Provided that, should the marriage or a civil partnership end in the year of charge, by reason of divorce or separation, the allowance is proportioned on the basis of the number of days in the year of charge which precede that event, with the relevant proportion of any unused allowances prior to that event being automatically transferred.

For the purposes of this paragraph –

“divorce” means that the Court for Matrimonial Causes has made a Final Order on a decree of divorce or of nullity of marriage in respect of the marriage in question or that the courts of another jurisdiction have made a corresponding order in respect thereof, and includes an order for the dissolution of a civil partnership, and

"separation" means that the couple are living separately as fully and as completely as though they had never been married or entered into a civil partnership, as the case may be.

Provided that, should the marriage or a civil partnership end in the year of charge, by

reason of death, the full unused allowance is transferrable.

Where there is an entitlement to transfer of an allowance under this paragraph, that allowance will be automatically transferred.

(ii) transfers between co-habiting couples in receipt of Family Allowance, but not eligible for the charge of children allowance

Where the recipient of a Family Allowance in respect of one or more children is not entitled to claim the charge of children allowance because the claimant is cohabiting with another person, the claimant may, in respect of the year of charge, by notice in writing addressed to the Director, elect that any unused part of the personal allowance to which the claimant would otherwise be entitled shall cease to be the claimant's and shall become part of the personal allowance of the person with whom they are cohabiting, such election, once made, to be irrevocable in respect of that year of charge.

For the purposes of this paragraph "cohabiting" means living with another person, as if they were married or in a civil partnership, throughout the year of charge.

11. ☐ To approve the draft Ordinance entitled "The Excise Duties (Budget) Ordinance, 2020" and to direct that the same shall have effect as an Ordinance of the States.
12. ☐ To approve the draft Ordinance entitled "The Taxation of Real Property (Guernsey and Alderney) (Amendment) (No.2) Ordinance, 2020" and to direct that the same shall have effect as an Ordinance of the States.
13. ☐ To approve ordinary revenue expenditure for 2021 totalling £469.55million as set out in the table in paragraph 5.4 of this Report and the revenue expenditure budgets on pages 82 to 102;

14. ☐ To approve increases in the minor capital allocations of the following categories of the following amounts:

- (a) ☐ £11.7million in the Information Technology category;
- (b) ☐ £10million in the Medical Equipment category;
- (c) ☐ £10million in the Vehicles & Other Equipment category;
- (d) ☐ £21.8million in the Property Maintenance and Minor Works category;
- (e) ☐ £10million in the Roads resurfacing programme category;
- (f) ☐ £1million in the Integrated Transport Strategy category; and
- (g) ☐ £3.8million in the Coastal repairs category.

15. ☐ To approve an increase to £5million in the delegated authority of the Policy & Resources Committee to approve opening capital votes for any project, funded from the Capital Reserve.

16. ☐ To approve the creation of the General Revenue Reserve by the closure, on 31 December 2020, of:

(a) ☐ the Capital Reserve; and

(b) ☐ the following funds and reserves from the existing General Reserve:

- ☐ the Transformation and Transition Fund;
- ☐ the Future Guernsey Economic Fund;
- ☐ the Corporate Housing Programme Fund;
- ☐ the Insurance Deductible Fund;
- ☐ the Brexit Transition Fund; and
- ☐ the General Revenue Account Reserve (Unallocated Balance)

with the balance of each Reserve / Fund mentioned in (a) and (b) above, and any outstanding obligations, liabilities and commitments in respect thereof, together with the existing delegated authorities pertaining to the expenditure, commitment or use of those Reserves / Funds, being transferred to the General Revenue Reserve subject to the same terms, conditions and restrictions as are currently applicable in respect of those Reserves / Funds.

17. ☐ To agree 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 2021.

18. ☐ To delegate authority to the States of Alderney to transfer from the States of Alderney capital allocation to the Alderney Economic Development Fund a maximum amount of £300,000 in 2021.

19.□ To authorise the Policy & Resources Committee:

(a)□to make available a temporary overdraft facility to Aurigny Limited up to 31 December 2021 of £53million, and / or

(b)□to guarantee external overdraft facilities of Aurigny Limited up to 31 December 2021 of a maximum of £53million,

provided that the amounts made available or guaranteed under propositions 19(a) and 19(b) shall not exceed £53million in the aggregate.

20.□ To agree that the references in resolutions (i) and (ii) on Article VI of Billet d'État No. XVII of 2016 to the 2021 Island Games shall be replaced by a reference to the Island Games to be hosted in any one of the years 2022, 2023, 2024 or 2025, such year to be determined by the Committee *for* Education, Sport & Culture after consultation with the Policy & Resources Committee.

21.□ To approve the following Budgets for the year 2021:

(a)□ Ports

(b)□ Guernsey Water

(c)□ Guernsey Waste

(d)□ States Works

(e)□ Guernsey Dairy

(f)□ Corporate Housing Programme Fund

(g)□ Guernsey Registry

(h)□ Capital Investment – Operating Costs

(i)□ Superannuation Fund Administration

(j)□ Committee *for* Employment & Social Security – Contributory Funds.

In accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

Committee Support for Propositions

In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that all propositions have the unanimous support of the Policy & Resources Committee.

P T R Ferbrache
President

H J R Soulsby
Vice-President

M A J Helyar
J P Le Tocq
D J Mahoney

FOREWORD

The 2021 Budget Report is the first one prepared by this Policy & Resources Committee and, due to the timing of the election and the ongoing uncertainty arising from dealing with the impact of the COVID-19 pandemic, does not propose any significant measures or policy changes.

General Revenue budget deficits of £59million and £23million are forecast for 2020 and 2021 respectively, even without an appropriation for funding capital expenditure. It has been necessary to draw-down on our accumulated reserves in order to fund these deficits. This is clearly a short-term response to manage the immediate issues we are facing including lost revenue and expenditure pressures. Whilst these deficits are lower than had been initially modelled, they have still necessitated a substantial portion of our available reserves to be utilised. It should be noted that, whilst these forecasts have been prepared on a prudent but realistic basis and built on the best information and assumptions available at this time, there is a real risk that circumstances might change, resulting in a significant deterioration.

In January 2020, the States agreed to adopt a revised Fiscal Policy Framework and directed the Policy & Resources Committee to conduct a review to ensure that Guernsey's tax base is capable of raising sufficient revenues to meet long-term government expenditure needs which have been estimated at an additional £80-130million per annum. A key priority for this Assembly has to be to address the fundamental question: *"what level of public services should be provided and how much tax are we prepared to take from the economy and community in order to provide these?"*

Due to the COVID-19 pandemic, this review has not progressed in accordance with the timelines originally anticipated, but its necessity has been heightened by the deteriorating financial position and it is one of the key priorities of this Committee

In recognition of the pressures being faced by individuals and businesses, this Budget Report recommends that rates of taxes and duties are only increased by the amount necessary to maintain their real value. In respect of expenditure, significant funding has been allocated to meet cost pressures identified by Committees and service developments agreed by the States since the last Budget Report. However, this is clearly an unsustainable approach given the deficit position. Therefore, alongside the tax review, we need to scrutinise, review and show restraint in expenditure to ensure that the level and cost of public services provided is affordable and realistic.

P T R Ferbrache
President

H J R Soulsby
Vice-President

M A J Helyar
J P Le Tocq
D J Mahoney

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2021 BUDGET REPORT

Section 1: Budget Summary

Context

- 1.1□ This Budget has been prepared in the context of both the unprecedented and ongoing economic and financial impact of the COVID-19 pandemic and the previously identified short and longer term pressures on the cost of delivery of public services, particularly arising from economic and societal factors such as pressures relating to the ageing population.
- 1.2□ Events during 2020 have led to a forecast for a contraction in Gross Value Added (GVA)^a now estimated at being between 6% and 8% in 2020 whereas the 2020 Budget was prepared on a forecast for GVA to grow by some 1-1.5%. The level of financial support to businesses paid out by the States to support the economy is estimated to cost £52million in 2020 and, at its peak, the payroll co-funding scheme ensured the continued employment of between 25% and 30% of the workforce. Combined with the impact of loss of revenues, the pandemic will have directly impacted General Revenue by some £80million in 2020. If the provision for Aurigny's losses, the impact on the Social Security Funds and on our Trading Assets, most notably the Ports, are taken into account, the total impact increases to over £120million.
- 1.3□ As the pandemic has progressed, it has become increasingly clear that there is no trade-off between the economy and public health. Comparison of Quarter 2 2020 data for Organisation for Economic Co-operation and Development (OECD) countries published by 'Our World in Data'^b showed that, in general, those countries least impacted by the pandemic economically are those which have been most successful in containing the public health threat. While it is necessary to balance risks, the two objectives are aligned. Guernsey has demonstrated this well with unemployment reducing from a rate of 5.2% in late May, to 1.8% by the end of October. In addition, certain areas of the economy have thrived as restrictions have been lifted. Remunerations data for the third quarter shows that sectors such as construction, IT, professional services and real estate paid more in total in wages than during the equivalent period in 2019.
- 1.4□ The housing market has also bounced back strongly. Forecasts early in 2020 suggested that high unemployment and the threat of negative wage pressure may bring about a market crash. Instead, high levels of demand are putting upward pressure on house prices and a combination of increases in prices and in the volume of conveyances has resulted in estimated document duty receipts for 2020 being 15% higher than in 2019.
- 1.5□ However, conditions in other areas remain difficult and a small number of businesses continue to rely on business support, including accommodation providers and other businesses dependent on travel.

^a Gross Value Added is the measure of the value of goods and services produced in an economy.

^b <https://ourworldindata.org/covid-health-economy> Our World in Data is a research and media organisation used widely by major news outlets.

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- 1.6□ The remuneration data which shows strong recovery in some sectors also shows evidence of stress and job losses in other areas. Loss of employment in sectors focussed on retail and hostelry services is to be expected, but the data also shows material falls in remuneration in the finance sector indicating the level of stress placed on international financial systems by the global fall in productivity.
- 1.7□ Should the island continue to successfully manage the public health risk, the resilience of the economy bodes well for a strong recovery in 2021 and current forecasts indicate that GVA is likely to bounce back by some 3.5-4%. However, it is not anticipated that 2021 will restore all of the activity lost in 2020 and this is reflected in the revenue forecasts contained in this Budget.
- 1.8□ The outlook for Hostelry and Transport will depend very heavily on whether lighter restrictions in relation to travel can safely be allowed before the 2021 summer season. Guernsey's finance sector adapted quickly to different ways of working, but the pandemic and its effects both locally and globally have had an impact. There is already evidence that there will be a period of restructuring as the initial shock recedes and the sector needs access to markets, both digitally and physically, to grow and develop.
- 1.9□ This Budget is compiled on the assumption that the rate of inflation (as measured by the annual change in RPIX) will fall to 1.5% during 2021. This forecast reflects the low levels of inflation in the UK as a result of economic stress which can be expected to feed into local supply chains. This has already been evidenced by a fall in the annual change in RPIX from 2.4% to 2.0% in the third quarter of 2020.
- 1.10□ There are risks to this forecast: inflation may be higher if high levels of demand in the housing market and for construction work feed into increased rental prices and higher housing maintenance costs. A poor outcome to the negotiations between the UK and the EU to form a longer term trading relationship could also result in inflationary pressure if it causes disruption to supply chains. However, lower levels of inflation may be seen if economic conditions for 2021 are weaker than forecast, particularly if this manifests in lower earnings or higher unemployment.
- 1.11□ In terms of the pressure on the cost of public services, this Budget sees a £36million (8%) increase in the expenditure budget in 2021, largely as a result of a £17million one-off specific provision for COVID-19 expenditure and arising from policy changes in the last term which have added £6.5million to the baseline.
- 1.12□ As set out in last year's Budget Report (Billet d'État XXI, 2019) and again in the Review of the Fiscal Policy Framework and Fiscal Pressures policy letter considered by the States in January 2020 (Billet d'État I, 2020), there are known and growing pressures on the cost of public services driven largely, but not exclusively, by the ageing demographic.
- 1.13□ That policy letter set out that these pressures could be in the range of £80 - £130million of additional costs per annum. A key priority for this Assembly has to be to address the fundamental question: *"what level of public services should be provided and how much tax are we prepared to take from the economy and community in order to provide these?"*

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1.14□ It is not realistic or sustainable to seek to raise such additional revenues as are required through the existing tax structure and therefore there is a need to undertake a fundamental review of the tax system to ensure it is designed in such a way as to be able to raise 24% of GDP^c, if practical and appropriate, to fund the services needed by our community. The Policy & Resources Committee has recognised this review as a priority which it intends to deliver on expediently. Until such time as this review is complete; the funding and investment plan for this States term has been completed; and in light of the States' deficit; the Committee urges restraint in adding to the cost of public services.

Budget Measures

1.15□ As a result of this uncertain backdrop, and despite the challenging position for States' finances, the Policy & Resources Committee does not consider that 2021 should see any significant changes to the taxes paid by the community and is therefore recommending that general increases in excise duties on Tobacco, Alcohol and Motor Fuel; and Tax on Real Property (TRP) tariffs in 2021 are limited to the amount necessary to maintain their value in real-terms, i.e. in line with the inflation projection of 1.5%.

1.16□ The budget measures proposed (Section 4) are:

- A 2.6% increase in Personal Income Tax Allowances, increasing an individual's allowance by £300 to £11,875;
- An increase of £10,000 (to £40,000) in the Income Tax Standard Charge;
- An increase of 1.5% (RPIX forecast) in the excise duty on Tobacco products, increasing the duty on an average packet of twenty cigarettes by 9p to £5.82;
- An increase of 1.5% (RPIX forecast) in the excise duty on Alcohol, increasing the duty on a pint of standard-strength beer by 0.6p to 50p (25p if produced by a small independent brewery);
- An increase of 1.5% (RPIX forecast) in the excise duty on Motor Fuel, increasing the duty by 1.1p per litre to 73.4p per litre;
- An increase of 1.5% (RPIX forecast) in commercial TRP tariffs, except for the Hostelry and Food Outlets and Self-catering Accommodation categories;
- Continuation of gradually increasing the commercial TRP tariffs for the general Office and Ancillary Accommodation category to the same tariff as the other Office and Ancillary Accommodation categories, resulting in an increase of a further 29% - £6.05per unit; and
- An increase of 1.5% (RPIX forecast) in domestic TRP tariffs.

^c As Government's limit on the size of the public sector.

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Overall Financial Position

1.17□ The following table summarises the overall position for 2020 and 2021:

	2021 Budget Estimate	2020 Probable Outturn	2020 Budget Estimate	2019 Actual
	£m	£m	£m	£m
GENERAL REVENUE				
Revenue Income	461	447	477	477
Revenue Expenditure	(453)	(433)	(433)	(409)
COVID-19 specific provision	(17)	(52)	-	-
Revenue Surplus / (Deficit)	(9)	(38)	44	68
Capital Income	2	3	3	9
Operating Surplus / (Deficit)	(7)	(35)	47	77
Transfer to Capital Reserve ^d	(2)	(3)	(43)	(63)
Transfer from General Reserve ^e	-	3	3	-
Provision for Aurigny loss	(14)	(24)	(7)	(10)
Surplus / (Deficit)	(23)	(59)	-	4
UNINCORPORATED TRADING ASSETS				
(Deficit)	(12)	(16)	(4)	(2)

General Revenue

1.18□ The States had planned for a balanced budget in 2020 with an appropriation to the Capital Reserve in line with the minimum specified in the Fiscal Policy Framework (Appendix I sets out performance against the Fiscal Framework Principles). Assuming this would have been achieved in the absence of COVID-19 in both 2020 and 2021, the total impact of the pandemic on General Revenue is estimated to be in the region of £170million over the two years. This comprises the deficits of £59million and £23million detailed in the table above plus the transfers that would otherwise have been made to the Capital Reserve, budgeted to be £40million in 2020 and calculated at a minimum of £49million in 2021 (being 1.5% of the latest GDP estimate).

1.19□ The Resolutions of the 2020 Budget Report included *“To authorise the Policy & Resources Committee to transfer the sum of £40million from General Revenue to the Capital Reserve during 2020.”* In light of the impact of the COVID-19 pandemic on the States’ financial position, transfers to the Capital Reserve could only be made by either increasing the draw-down from the Core Investment Reserve or by borrowing. The Core Investment Reserve had a balance of £198million at the end of Quarter 3-2020. This represents 41.5% of General Revenue Income whereas, as agreed as part of the Medium Term Financial Plan (‘MTFP’) (Billet d’État XII, 2017), the States have a policy

^d This includes capital income.

^e The 2020 Transfer from General Reserve is to fund the yet to be delivered balance of budget reductions for the Committees for Education, Sport & Culture and Home Affairs.

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for the target balance for the Core Investment Reserve of 100% of General Revenue Income.

- 1.20□ Therefore, the Policy & Resources Committee **is recommending that transfers are not made from General Revenue to the Capital Reserve in either 2020 or 2021** [Proposition 1].
- 1.21□ The Policy & Resources Committee recognises the importance of ensuring that the States are able to invest in infrastructure and is committed to enabling capital investment. It is therefore acknowledged that this is an extremely short term measure which must be addressed. However, the Committee considers that this should be done through the medium-term funding and investment plan which is being developed alongside, and to support, the recovery action plans.
- 1.22□ The Policy & Resources Committee has considered various options for funding the losses set out above of £82million and **is recommending that £32million is funded from the General Revenue Account Reserve with the balance of £50million transferred from the Core Investment Reserve** [Proposition 2].
- 1.23□ The General Revenue Account Reserve is generally used to manage any in year shortfalls in income, short term cyclical variations and any other timing issues. After taking into account the unbudgeted 2019 surplus which had not been appropriated, the General Revenue Account Reserve has a balance of £35.5million. It is recommended that £32million of this Reserve is used in order to fund part of the 2020 forecast deficit (£9million) and all of the 2021 budgeted deficit (£23million).
- 1.24□ In addition, in May 2020, following consideration of a policy letter entitled *“Covid-19 Pandemic – Funding of Financial Response”* the States resolved *“To delegate authority to the Policy & Resources Committee to approve financial support measures for businesses and individuals as a result of the Covid-19 pandemic, of up to £100million, to be funded from the Core Investment Reserve”*. The Committee considers that the amounts drawn from this core reserve should be minimised and has been able to limit the forecast draw-down from the Core Investment Reserve to £50million in 2020 through the combination of suspending transfers to the Capital Reserve and using the balance of the General Revenue Account Reserve. This will reduce the balance of the Core Investment Reserve to £148million which represents 31% of 2020 General Revenue Income.

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Unincorporated Trading Assets

1.25□ The following table details the forecasts for each of the unincorporated trading assets:

	2021 Budget Estimate £'000	2020 Forecast £'000	2020 Budget Estimate £'000	2019 Actual £'000
Guernsey Dairy	(675)	(505)	15	(388)
Guernsey Waste	(3,819)	(3,914)	(3,440)	(3,021)
Guernsey Water	(1,217)	(430)	(412)	(768)
Ports	(7,399)	(11,981)	(1,288)	1,243
States Works	711	434	878	1,178
Total (Deficit)	(12,399)	(16,396)	(4,247)	(1,756)

- 1.26□ The COVID-19 pandemic has had a severe impact on the trading results of the unincorporated trading assets, particularly the Ports which have experienced a significant and sustained reduction in passenger numbers as a result of the travel restrictions. One of the core principles of the operation of the unincorporated trading assets is that they should raise sufficient revenues to fund all of their expenditure (including capital). If deficits cannot be funded from within accumulated reserves or eradicated through income raising measures and/or expenditure reduction, there will be a requirement for funding to be made available from General Revenue.
- 1.27□ The Policy & Resources Committee has agreed in principle to make a loan facility available to Guernsey Ports as a short-term measure as it is unable to meet its forecast deficits from within its retained reserves. The financial impact of the COVID-19 pandemic on Guernsey Ports, both short-term and long-term, and funding thereof will need to be addressed as part of the future consideration of the overall commercial position of Guernsey Ports' operation.
- 1.28□ The Waste Strategy financial model is based on a twenty year timeframe. Due to the increase in recycling and decrease in general waste being higher than forecast as a result of the combined success of the new household waste and recycling collections introduced in 2018, deficits are forecast for 2020 and 2021. The States' Trading Supervisory Board has advised that it is putting in place measures to ensure that the Waste Strategy breaks even over its twenty year life. Therefore, the Policy & Resources Committee has agreed to provide a 2021 loan facility to Guernsey Waste.
- 1.29□ In February 2020, the Policy & Resources Committee agreed to provide a short-term loan facility of up to £1.2million to Guernsey Dairy until the end of 2021, to fund its urgent short-term capital expenditure requirement whilst the Future Guernsey Dairy project is progressed.

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Section 2: 2020 Financial Position

2.1□ The following table summarises the States' 2020 financial position:

	2020 Probable Outturn	2020 Budget Estimate	2020 MTFP (inflated) Estimate	2019 Actual
	£m	£m	£m	£m
Revenue Income				
Income Tax	313	348	345	349
Other Taxes	99	93	85	89
Miscellaneous Income	35	36	40	39
Revenue Income	447	477	470	477
Revenue Expenditure				
Committee Expenditure	(433)	(433)	(405)	(409)
COVID-19 specific provision	(52)	-	-	-
Revenue Expenditure	(485)	(433)	(405)	(409)
Revenue Surplus	(38)	44	65	68
Capital Income	3	3	8	9
Operating Surplus	(35)	47	73	77
Transfer to Capital Reserve ^f	(3)	(43)	(65)	(63)
Transfer from General Reserve ^g	3	3	-	-
Provision for Aurigny loss	(24)	(7)	-	(10)
Surplus / (Deficit)	(59)	-	8	4

Revenue Income

2.2□ The income originally budgeted for 2020 was £7million higher than the level assumed in the MTFP as a result of revenue raising decisions made in previous budgets and continued strength in the economy, as demonstrated through strong income tax and document duty receipts. However, budgeted revenue expenditure was £28million more due to additional baseline pressures / service developments of £21million and delayed delivery of savings of £7million.

2.3□ However, the 2020 probable outturn is that revenue income will be £30million lower than budgeted due to the effect of the COVID-19 pandemic. A fall in income tax receipts (£35million) has been partially offset a £3million increase in document duty receipts reflecting the current strength of the local property market and a net increase of £3million in excise duty receipts, particularly in respect of tobacco products where consumers have had limited access to duty free products.

^f This includes capital income.

^g The 2020 Transfer from General Reserve is to fund the yet to be delivered balance of budget reductions for the Committees for Education, Sport & Culture and Home Affairs.

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Revenue Expenditure

2.4□ The following table details the anticipated 2020 Probable Outturn for each Committee^h compared with budget, based on the position at the end of September:

2.5□ Authorised Budgets include:

- Inter-Committee transfers including £4.7million from the States' Trading Supervisory Board to Corporate Services in respect of Property Services (Billet d'État XXII, 2019) and £250,000 from multiple Committees to Corporate Services in respect of consolidating IT and telephony budgets;
- £2.8million of service developments for which the States approved provision in the 2020 Budget Report;
- £10.9million of funding which has been transferred between the Budget Reserve and Committees in respect of pay awards which have been settled in 2020, including £5.8million for Agenda for Change staff;
- £4million of other transfers between the Budget Reserve and Committees, including £900,000 for establishing the Revolving Credit Facility and £660,000 for undertaking the 2020 General Election; and
- £3.9million which has been transferred from Committees to the Budget Reserve following an exercise to identify in-year savings including those that arose as a result of the COVID-19 pandemic, including vacancies that were not filled and reductions in discretionary expenditure. This includes £1million from the Overseas Aid & Development Commission; £730,000 from the Committee *for* Home Affairs and £600,000 from the Committee *for* Education, Sport & Culture.

^h 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 & Planning Authority, Overseas Aid & Development Commission, States' Trading Supervisory Board, Scrutiny Management Committee, Royal Court, Law Officers, Pooled Budgets and States of Alderney.

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2020	Original Budget	Authorised Budget	Probable Outturn	Anticipated (Over) / Underspend
	£'000s	£'000s	£'000s	£'000s
Corporate Services	34,790	41,030	42,326	(1,296)
Economic Development	5,985	5,997	5,993	4
Education, Sport & Culture	79,770	81,478	81,007	471
Employment & Social Security	11,975	11,812	11,484	328
Environment & Infrastructure	12,535	12,739	12,778	(39)
Health & Social Care	124,665	133,763	133,080	683
Home Affairs	31,500	32,103	32,066	37
Policy & Resources	8,090	8,299	7,893	406
Scrutiny Management	531	521	538	(17)
Development & Planning	1,290	1,344	1,396	(52)
Overseas Aid & Development	3,080	2,081	2,081	-
States' Trading Supervisory	5,940	1,295	1,495	(200)
Royal Court	2,540	3,249	3,103	146
Law Officers	5,300	5,635	5,525	110
Pooled Budgets	507	522	459	63
States of Alderney	1,875	1,927	1,927	-
TOTAL NON-FORMULA LED	330,373	343,795	343,151	644
FORMULA LED	79,705	79,980	82,855	(2,875)
BUDGET RESERVE	19,987	8,977	7,616	1,361
CASH LIMITS	430,065	432,752	433,622	(870)
SAVINGS TARGET	(2,700)	(2,529)	(799)	(1,730)
SERVICE DEVELOPMENTS	6,250	3,392	692	2,700
TOTAL COMMITTEE EXPENDITURE	433,615	433,615	433,515	100

Non-Formula Led Expenditure

- 2.6□ Overall, Non-Formula Led expenditure is expected to be broadly in line with the Authorised Budget, with a 3% overspend on Corporates Services, in respect of higher than budgeted expenditure associated with the recruitment of staff and increased expenditure on Rent Allowances paid to staff across all services, being offset by net underspends by other Committees.
- 2.7□ Although the Committee *for* Health & Social Care has incurred additional expenditure and generated less operating income as a direct result of the COVID-19 pandemic, this has been offset by reduced activity on other services, including delays in Acute Off-Island Treatments.

Formula Led Expenditure

- 2.8□ During the lockdown period, an additional 1,367 claims for income support were made and the number of active claims as at 1 August 2020 was 3,456 (supporting 5,900 people including dependants) compared to 3,023 (supporting 5,277 people including dependants) on 3 August 2019. This has resulted in forecast expenditure on income

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support being £4.3million, or 10%, higher than budgeted in 2020. This has been partially offset by a decrease of £1million in the grant to the Social Insurance Fund (which is calculated at 14.7% of the total social insurance contributions which are projected to reduce as a result of the COVID-19 pandemic); and an overall reduction of £400,000 in expenditure on other non-contributory benefits.

Budget Reserve

- 2.9□ The Budget Reserve holds an 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. This will be the case, for example, in respect of pay awards with additional funding allocated to match the settled award thus increasing 'Original Budgets' to become 'Authorised Budgets'.
- 2.10□ The Budget Reserve is also used to manage overall budget contingencies and deal with any one-off, unexpected or in-year cost pressures. Individual Committees do not routinely hold significant budget contingencies as this is considered inefficient since they would invariably not be fully utilised every year. However, funding is available to Committees from the Budget Reserve, if required.
- 2.11□ The 2020 Budget Reserve is £20million and comprises:
- £14.2million provision for increasing budgets following settlement of pay awards (both in respect of a large number of pay groups where 2019 settlements had not been finalised when the 2020 Budget was compiled. All of the 2019 pay awards have been paid but there are a significant number of 2020 pay settlements currently outstanding;
 - £1million – provision for increasing established staff budgets in case the assumed 5% level of underspend arising from staff turnover does not occur;
 - £4.8million – general provision including for:
 - Variations in formula-led expenditure including the risk regarding expenditure on the income support scheme;
 - 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. At the time of preparing the 2020 Budget, there were a number of matters which the Policy & Resources Committee was aware of which could have required funding from the Budget Reserve including: General Election of Deputies; potential non-recovery of expenditure incurred by the Office of the Public Trustee; addressing the orthopaedic treatment waiting list and Development Frameworks for Regeneration Areas.

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- 2.12□ It is anticipated that all of the Budget Reserve provision will be utilised in 2020. As set out in paragraph 2.5, £3.9million has been transferred from Committees to the Budget Reserve in 2020 following an exercise to identify in-year savings including those that arose as a result of the COVID-19 pandemic. Provision of £2.5million has been made to use part of this return to fund costs incurred in 2020 for travel resumption testing and preparing for undertaking a mass vaccine programme.

Savings Target

- 2.13□ As set out in the 2020 Budget Report, it was anticipated that £4.2million of new savings would be delivered in 2020 including £820,000 which was already incorporated into the cash limits of the Committees for Education, Sport & Culture and Home Affairs and the Policy & Resources Committee through savings targets from previous years. A further £562,000 of savings were already identified and removed from the cash limits of the Committee for Health & Social Care, the States' Trading Supervisory Board and the Royal Court. In addition, each Committee's Cash Limit incorporated an energy cost saving of 3%, totalling £150,000. Therefore, the balance of new savings expected to be delivered in 2020 was £2.7million from the following initiatives:

Initiative	2020 Savings Budget £'000	2020 Savings Forecast £'000
Organisational and Service Design	1,500	20
Procurement	570	715
Managing Sickness, Overtime and Allowances	20	-
Property Rationalisation	60	-
Revenue Service	550	135
Transforming Education & Training Services	555	555
Transforming Health & Care Services	320	320
Home Affairs Improvement Programme	235	235
Other	420	420
TOTAL	4,230	2,400
Less: Amounts already within savings targets	(820)	(720)
	3,410	1,680
Less: Amounts already reduced in Cash Limits	(710)	(710)
NET ADDITIONAL SAVINGS	2,700	970

- 2.14□ It is currently forecast that £2.4million of the £4.2million of savings will be delivered in 2020 resulting in a shortfall of £1.7million (plus non-delivery of £100,000 within the residual Committee savings targets). The COVID-19 pandemic resulted in several workstreams being placed on hold for a number of months which has consequentially delayed the delivery of savings.

Service Developments

- 2.15□ As part of the 2020 Budget Report, the States approved £6.25million for funding service developments which was allocated across a number of Committees. The funding was to be released into Committee budgets and allowance made within recommended 2021 Cash Limits following the Policy & Resources Committee's

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approval of a request demonstrating that the service development can be fully funded within the allocation on an ongoing basis.

- 2.16□ Currently, £2.9million of funding has been released in 2020 with allowance of £3.6million made in individual Committees' 2021 Cash Limits for the ongoing costsⁱ. It is anticipated that a further £700,000 will be released in the remainder of 2020 resulting in £2.7million of the total funding allocated in 2020 not being required in this year. The 2021 allocation for service development funding includes £2.4million^j in anticipation of the current balance of the 2020 allocation being required in 2021.

COVID-19 Specific Provision

- 2.17□ It is anticipated that £51.7million of business support expenditure will be incurred during 2020. This is made up of a total of £7.5million paid out in grants to small businesses; £37.4million in payroll co-funding; and £6.8million in the specific support package (either payroll co-funding or per room grants) put in place during quarter 3 for the visitor accommodation sector.

Capital Income

- 2.18□ The 2020 Budget Estimate was for capital income to total £3.5million comprising £2-2.5million of capital returns from the States' trading assets (in addition to any dividend paid in accordance with existing policy which are treated as Other Income) with the balance arising from the sale of properties.
- 2.19□ It is expected that £2.7million will be received in 2020 from the States' trading assets (£1.2million from Guernsey Water; £1million from Guernsey Post; and £500,000 from States Works) but no income will be generated from the sale of properties. In line with States' direction, the capital income will be transferred to the Capital Reserve.

Provision for Aurigny Loss

- 2.20□ As set out in paragraph 6.32, the current position is that the company's forecast for its losses for 2020 is £24million. This is significantly in excess of the total budgetary provision of £9.6million (including £2.9million in the General Revenue Account Reserve in respect of the Alderney routes) and has arisen as a direct result of the impact of travel restrictions during 2020 due to the COVID-19 pandemic.

Revolving Credit Facility (RCF)

- 2.21□ In May 2020, following consideration of a policy letter entitled "*Covid-19 Pandemic – Funding of Financial Response*", the States authorised the Policy & Resources Committee to enter into a maximum of £250million of additional external borrowing facilities, for an initial period of 2-3 years, in order to meet the short-term cash-flow requirements of the States.

ⁱ Some of the initiatives were commenced during 2020 so a full year's funding was not required.

^j Approximately £250,000 of the 2020 allocation related to initiatives where expenditure was for 2020 only or where funding is no longer required.

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- 2.22□ In June 2020, following review of the likely implications for public finances of the ongoing crisis, the Policy & Resources Committee entered into an agreement with a consortium of five local banks who are providing a revolving credit facility (RCF)^k of up to £225million for an initial period of up to two years. The RCF provides a temporary facility to manage the States cash flow (to cope with the double impact of reduced or delayed income receipts and increased expenditure) without being forced to sell investments.
- 2.23□ At 30 September 2020, £50million of the RCF had been utilised and it is expected that this will increase during the remainder of 2020 and 2021.
- 2.24□ The funding and investment plan being developed alongside the recovery action plans will explore both the funding and cash-flow requirements over this term and whether the RCF needs to be extended, converted into longer-term borrowing or whether the deficits incurred should continue to be funded from Reserves, which would necessitate sale of the corresponding investments.

^k A revolving credit facility is used where the amount of funding required will fluctuate over the period. There is a maximum amount under the facility which the banks have committed to make available on demand. Interest is paid on the amount drawn-down and a considerably smaller non-utilisation fee is paid on the amount not drawn-down. This is considered to be the most appropriate and cost-effective mechanism for the States' requirements as revenues fluctuate during the year.

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Section 3: 2021 Financial Position

3.1□ The following table summarises the General Revenue financial position:

	2021 Budget Estimate £m	2020 Probable Outturn £m
Revenue Income		
Income Tax	334	313
Other Taxes	92	99
Miscellaneous Income	35	35
Revenue Income	461	447
Revenue Expenditure		
Cash Limits	(450)	(431)
Service Developments	(10)	(4)
Savings to be delivered	7	1
COVID-19 specific provision	(17)	(52)
Revenue Expenditure	(470)	(485)
Revenue Surplus / (Deficit)	(9)	(38)
Capital Income	3	3
Operating Surplus / (Deficit)	(6)	(35)
Transfer to Capital Reserve ^l	(3)	(3)
Transfer from General Reserve ^m	-	3
Provision for Aurigny loss	(14)	(24)
Surplus / (Deficit)	(23)	(59)

Revenue Income

- 3.2□ The budget for income tax receipts is based on the best information, indicators and forecasts available at that time. There is an inherent difficulty in forecasting income tax receipts as there is a significant time delay between profits and investment income earned and assessed tax paid for all receipts apart from those relating to employment. Although income tax is collected based on interim assessments, the submission of returns and issue of final assessments can be up to two years later than the year of charge and can lead to significant under- or over-payments in the intervening period. This can distort the statistics and lead to inaccuracies in forecasting. This difficulty has been exacerbated in the COVID-19 pandemic period whereby assumptions have had to be incorporated regarding economic recovery and its impact on income tax receipts.
- 3.3□ The 2021 Budget has been prepared on the assumption of modest recovery of part of the downturn in income tax receipts experienced in 2020 and adjusted in line with inflation. The income tax receipt forecasts are aligned with the latest economic forecasts and draw heavily on data pertaining to ETI received in the first three quarters

^l This includes capital income.

^m The 2020 Transfer from General Reserve is to fund the yet to be delivered balance of budget reductions for the Committees for Education, Sport & Culture and Home Affairs.

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of 2020. Where there is evidence of recovery between the second and third quarters, this is assumed to persist into 2021. This results in forecasts including strong recovery in areas such as manufacturing; construction; information and communication; and some professional services. Given the on-going uncertainty as to when lighter restrictions in relation to travel can safely be allowed, forecasts around recovery in accommodation and transport are cautious.

- 3.4□ The income tax receipts forecast also encapsulates the risk that the stress becoming evident in the finance sector, particularly in banking, will persist. Given the large contribution the finance sector makes to general revenues from both high value employment and tax on company profits, this risk offsets much of the impact of expected recovery in other areas of the economy.
- 3.5□ The budget for Other Taxes is lower in 2021 than the 2020 forecast due to additional stock-holdings of Tobacco diminishing (paragraph 4.28).

Revenue Expenditure

Cash Limits

- 3.6□ The total 2020 revenue expenditure budget was £433.6million comprising £410.1million allocated to individual Committees; £20million held as the Budget Reserve; £6.3million allocated for service developments and a £2.7million target for delivery of savings.
- 3.7□ After taking into account: the effect of pay awards settled in 2020; approved service developments; the effect of savings realised in 2020 and the net effect of cyclical items in both 2020 and 2021, the base Cash Limits for 2021 to be allocated to individual Committees were £420.8million.
- 3.8□ The recommended Cash Limits include further additional funding of £10.7million within individual Committee allocations including:
- £4.4million to address baseline pressures where ongoing non-discretionary expenditure is being incurred or is committed without ongoing funding being available to the Committee. This is predominantly within Corporate Services in relation to relocation expenses and the Future Digital Services contractⁿ; and health and social care services in respect of incremental progression of existing staff;
 - £2.7million in respect of inflation or other price increases on non-pay expenditure. £1.4million of this total relates to the inflation uprating of non-contributory social security benefits (income support, family allowances and severe disability benefit and carers' allowances);

ⁿ Future Digital Services is the contract that underpins the Public Service Reform Agenda delivery of Smart Guernsey.

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- £2.7million to fund projected increase in demand for existing services. This is predominantly in respect of income support scheme payments where the number of claimants has increased as a direct result of the COVID-19 pandemic. This has been partially offset by a decrease in the grant to the Social Insurance Fund (which is calculated at 14.7% of the total insurance contributions which are projected to reduce as a result of the COVID-19 pandemic);
 - £1.2million for service developments which follow States' direction from decisions made in the past year including implementation of the New Discrimination Ordinance (£545,000) and Active 8 – A Plan for Sport (£441,000);
 - £3.1million to reverse the accounting treatment of the outstanding savings targets from the base Cash Limits of the Committees *for* Education, Sport & Culture (£2.76million) and Home Affairs (£375,000);
 - Reduction of £1.6million in the grant to the States of Alderney to reflect the revised funding arrangement paragraphs 6.24 and 6.25); and
 - £1.2million of reductions in Cash Limit offered by Committees including £831,000 by the Overseas Aid & Development Commission.
- 3.9□ The 2021 Budget Reserve of £17.9million includes continuation of the provision for 2020 unsettled pay awards and an allowance for 2021 pay awards. It also includes allowance for interest and charges associated with the Revolving Credit Facility; £2million as a specific provision pending agreement of the terms of a Public Service Obligation contract with Aurigny for operating the Alderney routes; and a further £2million to fund revenue expenditure associated with implementing recovery initiatives. The Budget Reserve will also provide funding, if requested, for the Seafront Enhancement Committee during 2021.
- 3.10□ Whilst there is also a limited amount of funding available within the Budget Reserve for other unanticipated / contingency / 'emergency' expenditure where there is a clear business case or demand / cost pressures; it is the expectation that Committees should first comprehensively review their existing budgets in order to reprioritise and accommodate any additional expenditure before seeking additional funding.

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3.11□ In addition to the recommended cash limits of £449.4m, service development funding of £10.2million is being recommended as follows:

	2020 £'000	2021 £'000
Committee for Economic Development		
Civil Aviation Authority – regulatory posts		100
Committee for Education, Sport & Culture		
Cultural enrichment activities (funded from reduction in Family Allowance)		50
Committee for Employment & Social Security		
Balance of 2020 allocation (Disability & Inclusion Strategy)	75	
Committee for Employment & Social Security – Formula Led		
Real-terms increase in income support benefit limitation		50
Real-terms increase in personal allowances to residents of residential or nursing homes		20
Committee for the Environment & Infrastructure		
Strategy for Nature		275
Committee for Health & Social Care		
Balance of 2020 allocation (various)	360	
Reablement Service to restore independent functioning to individuals recovering from an illness or injury		650
Affordable primary health care and dental care for children and teenagers (funded from reduction in Family Allowance)		525
Emergency Department staffing		250
Health Intelligence staff		150
Funding of Drugs, Treatments and Devices (NICE)		5,000
Committee for Home Affairs		
Balance of 2020 allocation (Computer Emergency Response Team)	725	
Bailiwick Law Enforcement staff training		100
Countering economic crime, money laundering and terrorist financing		
Balance of 2020 allocation	1,200	
2021 additional allocation		650
TOTAL	2,360	7,820

3.12□ The funding will be transferred into Committee budgets and allowance made within recommended 2022 Cash Limits following the Policy & Resources Committee's approval of a request which demonstrates that the service development can be fully funded within the allocation on an ongoing basis.

3.13□ There were £590,000 of 2021 service developments (6% of the total requests), for which it is **not** recommended that funding is allocated within the 2021 Budget.

3.14□ Whilst the Policy & Resources Committee is recommending that funding is provided for all service developments approved by the States since consideration of the 2020 Budget Report, either within recommended cash limits or as part of the Service Development Allocation, this has increased the deficit in 2021 by approximately

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£6.5million and continuation of such increases is no longer possible within the revenue confines of the States' current tax base.

Savings

3.15□ It is anticipated that £7million of recurring savings will be delivered in 2021 from the following initiatives:

- Organisational and Service Design - £4million;
- Procurement - £1.8million;
- Revenue Service - £700,000; and
- Other areas - £500,000.

COVID-19 specific provision

3.16□ The 2021 Budget Reserve also includes specific provision of £17million as an allowance for funding additional costs or reductions in operating income incurred as a direct result of the COVID-19 pandemic, comprising:

- continuation of business support measures for specific sectors (£5million);
- undertaking a mass vaccine programme (£5million);
- travel resumption testing (£4million);
- impact on States operating income (£1million); and
- contingency (£2million).

3.17□ At this stage, these individual estimates are highly uncertain and subject to change. However, overall, this is considered to be a reasonable provision for funding anticipated cost pressures arising from COVID-19.

Capital Income

3.18□ The 2021 budgeted capital income comprises capital returns from the States' trading assets (in addition to any dividend paid by the incorporated States' trading assets in accordance with existing policy which is treated as Other Income) of £1.7million from Guernsey Water and £1million arising from the sale of properties. However, it is possible that the rationalisation of the States' property estate will result in additional receipts. **It is recommended that the return of capital from the States' trading assets and capital income in 2021 is transferred to the Capital Reserve** [Proposition 3].

Provision for Aurigny Loss

3.19□ As set out in paragraph 6.33, the current position is that the company's forecast for its losses for 2021 is £14million, excluding the Alderney routes for which separate provision of £2million has been made in the Budget Reserve.

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Risks to 2021 Financial Position

3.20□ A Budget is defined as a plan for a period of time expressed in financial terms but is never a precise prediction of future events. There are always risks and opportunities to assumptions contained within a budget which may culminate in results being different to the plan. However, with the backdrop of COVID-19 and the uncertainty this presents, there are a number of specific and material risks to the 2021 financial position including:

- Income tax revenues not recovering in line with forecasts;
- Bad-debts arising from non-payment of deferred amounts due to the States of Guernsey;
- Increased COVID-19 related expenditure (business support, mass vaccine programme and travel resumption testing) in excess of the budgetary provision made;
- A further period of lock-down resulting in further loss of revenues and additional business support costs;
- Aurigny operations not recovering to the extent budgeted;
- The unincorporated trading entities incurring further losses which they cannot fund from retained reserves or through a borrowing facility and thus seeking support from General Revenue.

3.21□ A reasonable allowance has been made for contingency within this budget. However, if one or more of the risks above are realised, it may not be possible to manage the overall position in line with this plan. Should this happen then it may be necessary for the Policy & Resources Committee to return to the States seeking changes to the Budget or specific authorisation in respect of changes.

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Section 4: Income Proposals

Personal Income Tax

2021 Personal Income Tax Allowances

4.1□ **It is recommended that an individual's personal allowance is increased by £300 (2.6%) to £11,875.** This is 1.1% in excess of the inflation projection and means that an individual whose only source of income is the full-rate States Pension with bank interest of less than £50 will not pay any income tax.

4.2□ It is estimated that each 1% real-terms increase in personal allowances results in a decrease in States' revenues of approximately £750,000. Therefore, the cost of the real-terms increase in personal allowances of 1.1% is approximately £825,000.

4.3□ The personal allowance is recommended to be as follows:

	<u>2021</u>	<u>2020</u>
Personal Allowance	£11,875	£11,575

Married couples or couples within a civil partnership may automatically transfer any unused personal or age related allowance between spouses.

4.4□ **The supplementary personal income tax allowances are recommended to increase by 2.6% and be as follows^{op}**

	<u>2021</u>	<u>2020</u>
Dependent relative	£3,850	£3,750
Housekeeper	£3,850	£3,750
Infirm Persons	£3,850	£3,750
Charge of Children	£8,075	£7,875

Income Tax Standard Charge

4.5□ Under the Income Tax Law, a person who is treated as resident, but not solely or principally resident, for income tax purposes can elect to pay a standard charge which satisfies their tax liability on non-Guernsey source income or bank interest (such individuals are not entitled to any allowances, reliefs and deductions).

4.6□ The standard charge was increased to £30,000 with effect from 1 January 2016 and, in order to provide some certainty for those individuals in this sector, it was agreed that no further increases would be made for a period of five years.

^o In respect of claims for dependent relatives (other than for children in higher education), housekeepers and infirm persons, no new claims have been admitted from Year of Charge 2009 onwards.

^p No new claims have been admitted for Dependent Relative allowance in respect of children in higher education from Year of Charge 2018 onwards.

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- 4.7□ **It is recommended that the income tax standard charge is increased to £40,000 with effect from 1 January 2021 with no further increases to be made for a period of five years** (i.e. the level of £40,000 would apply from 2021 to 2026 inclusive) [Proposition 4]. This increase would maintain its real value between 2016 and 2026. There are approximately thirty individuals who pay the standard charge so this change would result in an increase in States' revenues of £300,000 per annum.

Tax-free element of lump sums from pension schemes

- 4.8□ A member of a pension scheme may take a tax-free lump sum of up to 30% of the fund value up to a specific limit. As part of the 2019 Budget Report, the States agreed that the annual tax-free lump sum limit for a pension scheme is set annually as part of the Budget. **It is recommended that the 2021 limit is maintained at the 2020 limit of £203,000** [Proposition 5].

Miscellaneous Income Tax Matters

- 4.9□ These miscellaneous amendments either simplify / clarify existing arrangements; remove inequalities; or are necessary to protect income tax revenues and sustain Guernsey's competitive position. These proposals would not have any impact on States' revenues.

Gratuity Schemes

- 4.10□ Section 40(nn) of the Income Tax (Guernsey) Law, 1975 as amended specifically exempts from tax any lump sum or pension, annuity or other income paid out of or under the provisions of a gratuity scheme established under the law of Guernsey and administered in Guernsey.
- 4.11□ A technical change is required to clarify that the exemption encompasses income paid from what are commonly referred to as international savings plans⁹. This would make it clear that such products are exempt from income tax in Guernsey.
- 4.12□ **It is therefore recommended that the Income Tax (Guernsey) Law, 1975 is amended to clarify that income paid from an international savings plan is exempt from tax** [Proposition 6].

⁹ International savings plans are savings plans aimed at benefitting employees of multinational and international companies. Such plans must have for their sole purpose the provision of benefits in respect of the persons' employment wholly outside Guernsey in a trade or undertaking. They must be established under the law of Guernsey and must also be administered by fiduciary licensees subject to regulation by the Guernsey Financial Services Commission.

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Individual residence for tax purposes

- 4.13□ The Income Tax legislation does not currently include flexibility to disregard days for tax residence purposes, where those days were only spent in Guernsey due to exceptional circumstances, including as a result of the COVID-19 pandemic and resulting restrictions on travel. As the Income Tax Law determines residency based on the number of days that an individual is in Guernsey, additional days spent in Guernsey due to exceptional circumstances could change an individual's tax residence and therefore their tax liability.
- 4.14□ The Organisation for Economic Co-operation and Development has recently released guidance on cross-border issues, including recommending that a flexible approach is taken during this global pandemic. Representations have also been made to the Revenue Service, to allow for some days to be disregarded due to the travel restrictions imposed throughout the Bailiwick (and the rest of the world) due to the COVID-19 pandemic, as has occurred in both Jersey and the UK.
- 4.15□ Therefore, **it is recommended that Section 3 of the Income Tax (Guernsey) Law, 1975 should be amended to allow the Director of the Revenue Service, where there exist exceptional and compelling events or circumstances, to issue guidance by means of statements of practice derogating from or otherwise modifying the provisions of the Law to allow for days spent in Guernsey to be disregarded for tax residence purposes.** [Proposition 7].
- 4.16□ The Policy & Resources Committee intends to exercise its power under Article 66A of the Reform (Guernsey) Law, 1948 to enact an Ordinance amending section 3 of the 1975 Law as it considers it in the public interest to avoid the delay in giving specific legislative authority for the issuing of new guidance which would be caused by taking the Ordinance through the normal legislative processes. The Ordinance would, pursuant to the provisions of the 1948 Law, subsequently be laid before the States which would therefore have the opportunity of annulling it.

Surcharges

- 4.17□ The Revenue Services has extended the filing deadline for income tax returns for the 2019 calendar year from 30 November 2020 to 28 February 2021, as a result of difficulties encountered arising from the COVID-19 pandemic and IT issues faced by some customers in using the new portal for submitting corporate returns. A minor consequential amendment is required to the Income Tax Law to allow for the deadline extension, to ensure that backdated surcharges would not apply unless returns are submitted after the revised deadline. Therefore, **it is recommended that Section 199 of the Income Tax (Guernsey) Law, 1975 should be amended to allow for surcharges to be imposed from a later date than 15 January, should the Director of the Revenue Service amend the filing date for tax returns.** [Proposition 8].

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Family Allowance

- 4.18□ In August 2020, following consideration of a policy letter entitled *“Building a Better Future: Children’s Health and Education”* (Billet d’État XVI, 2020), the States resolved that, inter alia, with effect from 1 September 2021, the payment of Family Allowance would cease on a young person’s 18th birthday and that households with income of £120,000 or more would not be entitled to the Allowance.
- 4.19□ In its Letter of Comment, the Policy & Resources Committee advised that *“if the Propositions included in the policy letter are approved, they will also result in those individuals / households who become ineligible to receive family allowance also becoming ineligible for various tax benefits which are linked to the receipt of family allowance, including the ability of unmarried couples to transfer allowances or for single parents to receive charge of child allowance. Furthermore, receipt of family allowance also entitles a parent to receive a social insurance contribution credit if they do not work, until their youngest child reaches 16 years of age. Therefore, appropriate Propositions would be included in the 2021 Budget Report to enable States Members to decide whether to eliminate these consequential effects.”*
- 4.20□ Therefore, it is **recommended that claims for Charge of Children Allowance and for transfer of any unused personal allowance to an individual’s partner are allowed from individuals that would have been in receipt of Family Allowance, except for the limit on income received or for the ceasing of Family Allowance on a young person’s 18th birthday.** [Proposition 9]. The protection of entitlement to a social insurance contribution credit for a parent who does not work but is no longer eligible for Family Allowance as their household income exceeds £120,000 is a matter for the Committee for Employment & Social Security to consider.

Excise Duties

- 4.21□ The rates of excise duty are one of a range of tools used to achieve policy objectives and the States may direct the Policy & Resources Committee to recommend changes in excise duty rates for reasons other than fiscal considerations.
- 4.22□ 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;”*
- 4.23□ The *“Drug & Alcohol Strategy Action Plan 2015-2020”* 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 on year”*.

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- 4.24□ Although there is no clear direction on the approach to be taken in setting rates of excise duty on alcohol in order to achieve specific policy objectives, along the lines of that currently within the Tobacco Control Strategy, the Committee has previously consulted with the Committee *for* Health & Social Care when compiling budget proposals. The approach taken in annual Budgets since 2014 has been an annual increase of 5%.
- 4.25□ The Committee *for* Health & Social Care has advised that work is ongoing to develop a combined Substance Misuse Strategy to minimise the harm caused by tobacco, drugs and alcohol and this was scheduled to be submitted for consideration by the previous States Assembly. However, due to the need to concentrate Public Health Services' resources on supporting the Island's response to COVID-19, work was paused on this policy workstream and submission of the policy letter was deferred. Therefore, there is no States direction applicable to the duty rates for 2021.
- 4.26□ The Policy & Resources Committee has decided that, in line with its intention to minimise tax increases, it will recommend that 2021 increases in excise duties on Tobacco, Alcohol and Motor Fuel are limited to the amount necessary to maintain their value in real-terms, i.e. in line with the inflation projection of 1.5%.

Tobacco

- 4.27□ The Policy & Resources Committee is recommending **an increase in excise duty in all tobacco products of 1.5% from 1 January 2021** as set out in The Excise Duties (Budget) Ordinance, 2020 (starting on page 45) [Proposition 11]. This would increase the excise duty on an average packet of twenty cigarettes would increase from £5.73 to £5.82 and would raise additional income of approximately £100,000 per annum.
- 4.28□ The income received from excise duty on tobacco is volatile and difficult to predict. Demand will be affected by a duty increase but also reflects changing consumption habits, including the growing popularity of e-cigarettes, as well as the ongoing impact of high profile smoking cessation strategies. In 2020, income has been positively affected by the impact of the COVID-19 restrictions on travel, which has meant that the opportunity to access duty free tobacco products has significantly reduced for many consumers. In addition, there are expected to be higher than usual stock-levels held by importers in 2020 including as a result of the uncertainty pertaining to Brexit (suppliers have to manufacture specifically for Guernsey in order to comply with the package labelling requirements). Therefore, it is estimated that income from Excise Duty on Tobacco will be £11.6million in 2020, which is £4.4million higher than the Budget of £7.2million. The 2021 Budget for income from Excise Duty on Tobacco is £6million due to the additional stock-holdings diminishing.

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Alcohol

- 4.29□ The Policy & Resources Committee is recommending **an increase in the duties levied on alcohol of 1.5% from 1 January 2021** as set out in The Excise Duties (Budget) Ordinance, 2021 (starting on page 45) [Proposition 11]. This is estimated to raise an additional £225,000 per annum.
- 4.30□ The 2020 anticipated income from excise duty on alcohol is £16.5million which is £1.7million in excess of the Budget with the overall fall in ‘on-licence’ (bars, clubs and restaurants) sales being exceeded by an increase in ‘off-licence’ sales. The impact of the COVID-19 restrictions on travel has meant that the opportunity to access duty free alcohol products has significantly reduced for many consumers.
- 4.31□ The 2021 Budget for income from excise duty on alcohol is £15.8million.
- 4.32□ The effect of the changes proposed in the Budget on the most popular products is detailed below:

Description of Goods	Present Duty	Increase in Duty	Proposed Duty
Beer / Cider (2.8% - 4.9% ABV) – small independent brewery – 1 pint	24.4p	0.6p	25.0p
Beer / Cider (2.8% - 4.9% ABV) - 1 pint	49.4p	0.6p	50.0p
Spirits (37.5% ABV) – 25mls	36.8p	0.6p	37.4p
Spirits (37.5% ABV) – bottle (1 litre)	£14.74	22p	£14.96
Light wine (5.5% to 15% volume) – 125mls	34.6p	0.50p	35.1p
Light wine (5.5% to 15% volume) – bottle (750mls)	£2.08	3p	£2.11

Motor Fuel

- 4.33□ Following consideration of the Taxation of Motoring Policy Letter (Billet d’État XIII, July 2019), the Policy & Resources Committee was directed to *“include proposals in the 2020 and 2021 Budget Reports to increase the rate of excise duty on motor fuel to a level necessary to maintain the real-value of the income raised by taking account both of inflation (RPIX) and any change in sales volume.”*
- 4.34□ However, the Policy & Resources Committee considers it appropriate that the excise duty on motor fuel is only increased by 1.5%, in line with the latest inflation forecast for 2021. Therefore, **it is recommended that excise duty on motor fuel is increased by 1.1p per litre to 73.4p per litre from 1 January 2021** as set out in The Excise Duties (Budget) Ordinance, 2021 (starting on page 45) [Proposition 11] which is expected to raise an additional £300,000 per annum.
- 4.35□ Diesel for marine (and other non-road) use would remain exempt from duty and the concessionary rate of duty on petrol for marine use would be 50.3p per litre from 1 January 2021.

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4.36□ The 2020 anticipated income from excise duty on motor fuel is £18.9million which is £2million lower than the budget estimate of £20.9million due to the decline in volumes experienced during the lock-down period (£2million). It appears that volumes have now returned to their pre COVID-19 levels so, after adjusting for the States of Alderney retaining excise duty on motor fuel imports into Alderney (paragraph 6.25), the 2021 Budget Estimate for income from excise duty on motor fuel is maintained at £20.4million.

Implementation of Excise Duty Budget Proposals

4.37□ In previous years, the Policy & Resources Committee has made 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 the Budget Report. The Order then ceases to have effect at the conclusion of the States' Budget meeting when the States resolves the ongoing duty rates. However, due to the later timing of the 2021 Budget Report, the Policy & Resources Committee has not made such an Order this year and instead proposes that Excise Duty changes agreed by the States come into effect on 1 January 2021.

Tax on Real Property ('TRP')

Commercial

4.38□ The 2020 Budget for Commercial TRP is £19.1million.

4.39□ **It is recommended that all commercial buildings and land tariffs for 2021 except those for Hostelry and Food Outlets and Self-catering Accommodation are increased by 1.5%** (in line with the inflation projection), [Proposition 12] which will raise approximately £250,000 per annum. The freezing of rates for Hostelry and Food Outlets and Self-catering Accommodation is to recognise that businesses in these sectors are likely to have been particularly adversely impacted by the COVID-19 pandemic.

4.40□ As part of the 2020 Budget, the States agreed that, over a period of five years, the tariffs for the general Office and Ancillary Accommodation category (which largely comprises premises used by professional services and related businesses) are gradually increased to the same tariff as the Office and Ancillary Accommodation tariffs for regulated finance industries, legal services, accountancy services and non-regulated financial services businesses. The increase in 2021 will be £6.05 per unit in addition to the general increase and would raise an additional £800,000.

4.41□ Therefore, after adjusting for TRP no longer being levied in respect of Alderney (paragraph 6.24), the 2021 estimate for commercial TRP is £19.6million.

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Domestic

- 4.42□ The 2020 estimate for domestic TRP is £10million.
- 4.43□ In April 2015, following consideration of The Personal Tax, Pensions & Benefits Review (Billet d'État IV, 2015), the States resolved *"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."*
- 4.44□ This was intended to result in a maximum increase across a ten-year period of just over 100%. The Policy & Resources Committee notes that the basic rate of domestic TRP has increased from £1.14 in 2015 to £1.84 in 2020, a real-terms increase of 46%.
- 4.45□ In line with its intention to minimise tax increases, the Policy & Resources Committee is **recommending that domestic buildings and land tariffs for 2021 are increased by 1.5%**, in line with the inflation projection [Proposition 12]. This would raise an additional £150,000 per annum. After adjusting for TRP no longer being levied in respect of Alderney (paragraph 6.24), the estimate for income from domestic TRP in 2021 is £9.7million.
- 4.46□ The following table illustrates the effect of the increase in TRP rates on different domestic properties for 2021:

TRP of Property	Current (2020) TRP Annual	Increase in TRP Annual	Proposed (2021) TRP Annual
75	£138.00	£2.25	£140.25
150	£276.00	£4.50	£280.50
200	£424.00	£6.00	£430.00
300	£717.00	£12.00	£729.00
400	£1,068.00	£16.00	£1,084.00
500	£1,470.00	£20.00	£1,490.00
750	£2,205.00	£30.00	£2,235.00
1,000	£2,940.00	£40.00	£2,980.00

Document Duty and Anti-Avoidance Duty

- 4.47□ The 2020 Budget Estimate for income from Document Duty and Anti-Avoidance Duty was £18.2million. Since the period of lock-down when activity was minimal, the housing market has been particularly buoyant and the estimated income in 2020 is £21million. The total number of conveyances subject to duty up to October 2020 was 1,097 (local market) and 67 (open market), compared to 871 (local market) and 58 (open market) up to October 2019.
- 4.48□ After adjusting for the States of Alderney retaining income from document duty on conveyances of Alderney property (paragraph 6.25), the estimate for income from Document Duty and Anti-Avoidance Duty in 2021 is £19.5million. It is not proposed that any changes are made to the rates or thresholds associated with Document Duty and Anti-Avoidance Duty.

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Section 5: Expenditure Proposals

- 5.1□ The 2021 allocation for revenue expenditure is £459.6million which comprises: Non-Formula Led Cash Limits of £348.1million; Formula Led estimates of £83.3million; a Budget Reserve of £17.9million; and allocations for service developments of £10.2million. This represents an increase of £26.6million (6.1%) compared to 2020.
- 5.2□ Individual Committee Cash Limits take account of adjustments for all settled pay awards (£10.9million) and include £4.8million in respect of the ongoing cost of service developments approved in 2020 including £3.6million allocated in the 2020 Budget Report and a further £1.2million approved by the States following consideration of various policy letters during 2020.
- 5.3□ The recommended Cash Limits for 2021 are set out in the following table and further explanation of the funding allocated to individual Committees is detailed below. (Full line by line details of the 2021 budgets are included as Appendix IV).
- 5.4□ The table shows some significant percentage changes in an individual Committee's Cash Limit between 2020 and 2021. However, when considered as a percentage of the total Cash Limits (and excluding the effect of budget transfers between Committees), the only allocation which has changed significantly is the Committee *for* Health & Social Care which has increased from 28.8% to 29.4% (an increase of 0.6%).

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	Note	2021 Revenue Cash Limit £'000s	2020 Revenue Cash Limit £'000	% Change
Corporate Services	1	42,645	34,790	22.6
Economic Development		6,045	5,985	1.0
Education, Sport & Culture	2	82,655	79,770	
Timing of delivery of budget reductions		-	(3,065)	
		82,655	76,705	7.8
Employment & Social Security	3	12,360	11,975	3.2
Environment & Infrastructure	4	12,990	12,535	3.6
Health & Social Care	5	135,275	124,665	8.5
Home Affairs	6	32,700	31,500	
Timing of delivery of budget reductions		-	(275)	
		32,700	31,225	4.7
Policy & Resources		8,600	8,090	6.3
Scrutiny Management	7	540	531	1.7
Development & Planning		1,345	1,290	4.3
Overseas Aid & Development	8	2,320	3,080	(24.7)
States' Trading Supervisory		1,345	5,940	(77.4)
Royal Court		2,590	2,540	2.0
Law Officers		5,880	5,300	10.9
States of Alderney		300	1,875	(84.0)
Pooled Budgets		525	507	3.6
TOTAL NON-FORMULA LED		348,115	327,033	6.4
Policy & Resources – Formula Led	9	2,040	2,080	(1.9)
Employment & Social Security - Formula Led	10	81,300	77,625	4.7
TOTAL FORMULA LED		83,340	79,705	4.6
BUDGET RESERVE – GENERAL		17,915	19,987	(10.4)
TOTAL CASH LIMITS		449,370	426,725	5.3
SERVICE DEVELOPMENTS		10,180	6,250	
SAVINGS TO BE DELIVERED		(7,000)	(2,700)	
BUDGET RESERVE – COVID-19 SPECIFIC PROVISION		17,000	-	
TRANSFER FROM GENERAL RESERVE^r		-	3,340	
REVENUE EXPENDITURE BUDGET		469,550	433,615	8.3

5.5 ☐ **Corporate Services (Note 1)** – Corporate Services are those provided to and on behalf of the entire organisation and comprise Assurance and Risk; Communications; Finance; Human Resources; Information Systems & Services; Insurance; Procurement, Shared Services Centre and Tribunals.

^r The 2020 Transfer from General Reserve is to fund the yet to be delivered balance of budget reductions for the Committees for Education, Sport & Culture and Home Affairs.

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- 5.6□ The recommended 2021 Cash Limit, which is £7.9million higher than the 2020 Cash Limit, incorporates £5million of budget transfers from other Committees including £4.7million from the States' Trading Supervisory Board in respect of Property Services (Billet d'État XXII, 2019); and £250,000 from multiple Committees to Corporate Services in respect of consolidating IT and telephony budget. Furthermore, it includes allowance of £500,000 for settled pay awards, £220,000 for funding the ongoing effect of service developments approved in 2020; and £900,000 to fund increased expenditure on Rent Allowance paid for staff relocating to Guernsey paid across a number of services, as a result of higher turnover of staff, broadening of the roles accessing this benefit and changes to the subsidies paid.
- 5.7□ In June 2019 (Billet d'État X, 2019), the States approved the recommendations within the *"Future Digital Services"* Policy Letter including entering into a ten-year Strategic Partnership contract with Agilisys Guernsey Limited for the delivery of States' IT services including the provision and maintenance of the States' IT infrastructure and support services, technology support for Public Service Reform transformation programmes and delivering a programme of approved economic development initiatives. An update on the progress of the Smart Guernsey initiative will be included in the Chief Executive's annual report.
- 5.8□ The profile of the contract value is for higher costs in the early years which will gradually reduce over the term of the contract as Agilisys delivers contractually guaranteed savings. The States agreed to *"direct the Policy & Resources Committee to take account of the ongoing costs when recommending Cash Limits for subsequent years."* The recommended 2021 cash limit for Corporate Services includes net £1.1million of additional funding for Smart Guernsey.
- 5.9□ The approved business case for this project projected a net reduction of £675,000 in the contract value in 2021 compared to 2020. However, the starting position was understated by £815,000 due to a number of contracts being omitted from the baseline contract, items included at an incorrect value and omission of contractual inflation increases in the 2020 baseline. Allowance of £260,000 has been made for the 2021 inflation or indexation increases in those contracts.
- 5.10□ As a result of the COVID-19 pandemic, a number of IT projects have been accelerated or added to the portfolio as they were considered to be critical to the pandemic response to deliver required services or ensure resilience. These included establishment of a Virtual Call Centre; creation of the COVID-19 dedicated website; development of a Public Health Track & Trace system to deliver both contact tracing and border controls; development of a system to facilitate payment of business support; provision of an additional 750 laptops and 250 virtual private networks to enable remote working by staff; and provision of in excess of 1,500 Microsoft Teams licences to facilitate collaborative remote working. There will be an ongoing revenue expenditure impact of these projects in order to support and maintain the new equipment, systems and services which are being provided. This is estimated to be £425,000 in 2021 and appropriate provision has been made in the recommended Cash Limit.

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- 5.11□ A number of significant capital projects have been delivered or are in progress as part of Smart Guernsey, including the replacement of the mainframe operating system for the Revenue Service applications and investment in Bailiwick Law Enforcement critical operational upgrades, such as the TETRA radio system and THEMIS financial crime reporting system. These are estimated to have an ongoing net revenue impact of £650,000 which is £300,000 in excess of the allowance made in the 2020 Cash Limit.
- 5.12□ **Committee for Education, Sport & Culture (Note 2)** – The recommended Cash Limit of £82.7million includes full allowance of £785,000 for funding the ongoing effect of service developments approved in 2020 and an inflation allowance of £149,000 for specific areas of expenditure including cleaning contracts, grants to the Colleges, Youth Commission and Sports Commission.
- 5.13□ In August 2020 (Billet d'État XVI, 2020), the States approved 'Active 8: A Plan for Sport - 2021-2030' which has a 2021 funding requirement of £441,000 and funding of £100,000 per annum for three years from 2021 to support the Guernsey Language. The recommended Cash Limit includes provision for both of these amounts.
- 5.14□ The service development funding allocation includes £50,000 for the provision of additional cultural enrichment activities for children in primary school from September 2021, as agreed by the States in August 2020 following consideration of the policy letter entitled "*Building a Better Future: Children's Health and Education*" (Billet d'État XVI, 2020) (see paragraph 5.32).
- 5.15□ The Committee for Education, Sport & Culture will have an outstanding savings target of £3.07million at the end of 2020 which the predecessor Committee had committed to deliver, primarily through the transformation of 11-18 and further and higher education provision. It is expected that £307,000 will be delivered in 2021 as a result of the agreed reduction in funding to the grant-aided Colleges which continues to 2026 and delivers further additional savings each year. This will leave a balance of £2.76million to be delivered.
- 5.16□ Given the length of time that delivery of this budget reduction has been outstanding and that there are no further initiatives planned which are likely to realise cashable savings in the near future, the Policy & Resources Committee considered it appropriate that the outstanding balance should be removed from the Committee for Education, Sport & Culture's base Cash Limit for accounting purposes. As and when savings are delivered in the future, appropriate reductions will be made to the base Cash Limit.
- 5.17□ **Committee for Employment & Social Security (Note 3)** – in accordance with the resolutions of the policy letter entitled "*Proposals for a New Discrimination Ordinance*" (Billet d'État XV, 2020), the Cash Limit of £12.4million includes specific allowance of:
- £245,000 to fund the Employment and Equal Opportunities Service; the Employment and Discrimination Tribunal; and for proactive work to raise awareness and change attitudes in relation to prejudice in the community; and
 - £300,000 to fund project set-up costs and awareness raising about legislative changes.

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- 5.18□ The Committee *for* Employment & Social Security has reduced its Cash Limit requirement by £279,000 including by putting in place revised policies that will reduce the maintenance expenditure on States Housing by £230,000.
- 5.19□ **Committee *for the* Environment & Infrastructure (Note 4)** – the recommended Cash Limit includes specific additional funding of £450,000 to reflect the charging by Guernsey Waste of the full rate for gully sludge waste from road sweeping.
- 5.20□ **Committee *for* Health & Social Care (Note 5)** – in addition to an allowance of £6.9million for settled pay awards and £1.6million for funding the ongoing effect of service developments approved in 2020, the recommended Cash Limit of £135.3million includes allowance of £1.9million for non-discretionary items including an inflation allowance of £450,000 and £1.5million for addressing baseline pressures in the pay budget.
- 5.21□ In addition, as set out in paragraph 3.11 this Budget is recommending that £1.9million of service development funding is allocated to the Committee *for* Health & Social Care which is a further 1.5% increase in funding. This includes an allocation of £525,000 to provide affordable primary health care and dental care for children and teenagers from September 2021. This is in accordance with the States Resolutions following consideration of the policy letter entitled “*Building a Better Future: Children’s Health and Education*” (Billet d’État XVI, 2020) (see paragraph 5.32) and this funding will be added to the Committee’s base Cash Limit once it has negotiated appropriate arrangements with the primary care practices.
- 5.22□ In January 2020, the States considered a policy letter entitled “*Review of the Funding of Drugs, Treatments and Devices*” and agreed, inter alia, a policy of funding drugs and treatments in receipt of a Technology Appraisal from the National Institute for Health and Care Excellence. The costs in the first year were estimated to be £5.6million to which needs to be added £500,000 as the expected consequential fall in private patient income. Due to the COVID-19 pandemic, the phased implementation of this policy has been delayed and the net additional costs in 2021 are expected to be £5million. The States agreed that the costs will be funded from General Revenue until such time as the legislative changes are in place to enable this expenditure to be met from the Guernsey Health Service Allocation. As this legislation is not yet in place, provision has been made in the service development funding allocation for this expenditure.
- 5.23□ In June 2019 (Billet d’État X), the States considered the Policy & Resources Committee’s Policy Letter entitled “*Reform of Health Care Funding*” and agreed the proposals to bring the governance of all health services provision unambiguously under the mandate of the Committee *for* Health & Social Care. The intention is to make the provision and funding of health services more transparent, effective and efficient. The revenues will continue to be collected via the social security contributions system, but the contributions currently directed towards the Guernsey Health Service Fund will be credited to General Revenue to enable an increase in the cash limit for the Committee *for* Health & Social Care to meet its expanded mandate. It is anticipated that the required legislation will be in place during 2021 at which time, budgets will be adjusted to reflect the revised arrangements.

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- 5.24□ **Committee for Home Affairs (Note 6)** – The Committee for Home Affairs has an outstanding savings target of £375,000 against which there are no significant savings anticipated to be delivered in either 2020 or 2021. Therefore, given the length of time this has been outstanding and the expectation that no further initiatives are planned which are likely to realise significant cashable savings in the near future, the Policy & Resources Committee considered it appropriate that the outstanding balance should be removed from the Committee for Home Affairs' base Cash Limit for accounting purposes. As and when savings are delivered in the future, appropriate reductions will be made to the base Cash Limit.
- 5.25□ **Scrutiny Management Committee (Note 7)** – 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 Management 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."*
- 5.26□ The Scrutiny Management Committee has considered its resource requirements annually in light of its planned programme of reviews and the financial position of the States and submitted budget requests accordingly. Since consideration of this policy letter, the annual budget requests submitted by the Scrutiny Management Committee have not included any requests for additional funding. 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 (for example, £100,000 was made available from the Budget Reserve to fund the independent review commissioned by the Scrutiny Management Committee into the process that led to the appointment of the Head of Curriculum and Standards).
- 5.27□ **Overseas Aid & Development Commission (Note 8)** – In July 2019 (Billet d'État XIII, 2019) following consideration of the Commission's Policy Letter entitled *"Our Place in the World: The next ten years of overseas aid in Guernsey"*, the States resolved *"That, in 2020 and 2021, the funding allocated to the Overseas Aid & Development Commission should be increased by inflation only, and to direct the Policy & Resources Committee to take this into account when recommending Cash Limits as part of the annual Budget Report"*. The application of this States Resolution would result in a recommended 2021 Cash Limit of £3.15million.
- 5.28□ However, the Overseas Aid & Development Commission has proposed that its Cash Limit is set at £2.32million, a reduction of £830,000, which it will manage by deferring the launch of its Large Grants Programme until 2022. During 2021, the Commission will maintain its focus on its other programmes including Small Grants; Disaster Relief; Community Partnerships; Skills Partnership; and supporting Fairtrade.

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- 5.29□ **Formula Led Payments to States Members (Note 9)** – The 2021 estimate is a reduction on the 2020 estimated since it included a cyclical provision of £40,000 to provide standard information technology equipment and software to all States Members elected in October 2020.
- 5.30□ **Formula Led Social Security (Note 10)** – The 2021 estimate includes provision for inflation increases in rates of benefit for claimants of Family Allowance, Severe Disability & Carers' Allowance and Income Support, together with an inflation increase in the Income Support benefit limitation at a total cost of £1.4million. Compared to the 2020 Budget Estimate, the increased demand for Income Support as a result of COVID-19 is forecast to cost an additional £3.7million.
- 5.31□ The grant to the Guernsey Insurance Fund is calculated as a set percentage of total social security contributions received. Therefore, as social security contributions are expected to decrease, the grant is budgeted to decrease by £700,000 in 2021 compared to the 2020 budget. This reduction is in line with the assumption used for forecasting personal income tax receipts.
- 5.32□ In August 2020, following consideration of the policy letter entitled *“Building a Better Future: Children’s Health and Education”* (Billet d’État XVI, 2020), the States agreed that affordable primary health care and dental care for children and teenagers and additional culture enrichment activities for children in primary school would be fully funded by ceasing payment of Family Allowance on a young person’s 18th birthday and that households with income of £120,000 or more would not be entitled to Family Allowance. This will result in an estimated reduction in Family Allowance payments of £630,000 in 2021 which will be reallocated to fund the new services to be provided by the Committees for Education, Sport & Culture and Health & Social Care.

Minor Capital Allocations

- 5.33□ Minor capital allocations are used to fund investment in States’ assets, including critical infrastructure, with a limit of £2million for each individual project. Allocations are made on a multi-year basis in order to facilitate the development of rolling replacement, maintenance and improvement programmes. The management and project governance of the minor capital allocations is overseen by an Oversight Board which is advised by the relevant Heads of Profession.
- 5.34□ As part of the 2019 Budget Report (Billet d’État XXIV, 2018), minor capital allocations were approved for the three year period 2019-2021, with the level of each allocation informed by historical expenditure patterns and known anticipated projects.
- 5.35□ However, in a number of categories, the allocations are substantially committed to planned projects as the pace of delivery of minor capital projects has increased in recent years, including in order to address historic underinvestment. Therefore, priorities have been reviewed and new opportunities assessed in order to calculate the level of additional funding required for the period 2021- 2024. This will align minor capital allocations with the major capital prioritisation cycle.

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5.36□ **It is recommended that the minor capital allocations are increased as follows** (figure in brackets is the allocation for 2019-2021) [Proposition 14]:

- **Information Technology - £11.7million** (£6million);
- **Medical Equipment - £10million** (£5million);
- **Vehicles & Other Equipment - £10million⁵** (£4million);
- **Property Maintenance and Minor Works - £21.8million** (£10million);
- **Property Maintenance: Roads resurfacing programme - £10million** (£7.5million);
- **Implementation of the Integrated Transport Strategy - £1million** (£1.5million);
and
- **Coastal repairs - £3.8million** (£3million).

5.37□ These additional allocations will ensure that identified demand to replace, maintain and improve assets can be funded. The minor capital programme should be capable of being delivered swiftly and the relatively low value of the individual projects will enable the use of local contractors where possible. This will support economic activity in the island and assist in delivery of recovery.

5.38□ The Policy & Resources Committee has delegated authority to open capital votes for any project with a value not exceeding £2million, funded from the Capital Reserve (Policy & Resource Plan Phase 2, Billet d'État XII, June 2017). In order to enable quicker delivery of lower value projects, which tend to be straightforward in nature, whilst still ensuring that the States continue to consider major projects, **it is recommended that the delegated authority for the Policy & Resources Committee to open capital votes is increased to £5million** [Proposition 15]. This would facilitate the delivery of projects such as repairs to Castle Cornet bridge, provision of digital Court facilities and phase 1 of the coastal flood defences work.

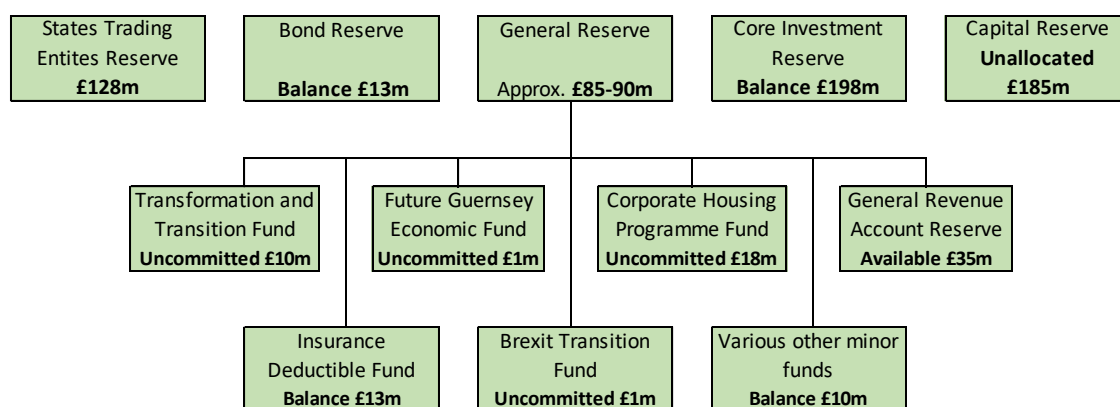
⁵ This includes £2.6million of one-off funding to address a back-log in vehicle fleet replacements.

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Section 6: Other Matters

Reserves

- 6.1□ As part of the 2020 Budget Report, the Policy & Resources Committee set out its intention to recommend (in its handover document) that the structure of the Reserves is rationalised so that, as far as possible, they are collapsed into a single Reserve with the States being asked to approve a scheme of uses and delegation. It considered that a simplified structure would increase flexibility around the use of funds; provide clarity on uses authorised by the States and delegated authority given; and increase transparency.
- 6.2□ The 2020 Budget Report included that *“The Policy & Resources Committee is conscious that the web of Funds has become complicated. In addition:*
- *the structure has, inadvertently, resulted in focus on which ‘pot’ of money is best used to fund a particular project rather than the schemes/projects/initiatives requiring funding, their outcomes and benefits for the States and the economy;*
 - *funds have historically been set up with allocations, based on anticipated need, which are then not available for other, perhaps more pressing, projects (even if allocation is not being spent);*
 - *the lines between transformation and capital investment are sometimes blurred and there is little value in splitting the costs of a project to fit a structure of Funds; and*
 - *there are worthy projects – perhaps relating to improving disability access to public spaces, ‘green’ initiatives or climate change actions – which do not sit comfortably in any of the existing Funds.”*
- 6.3□ The following diagram is a simplified illustration of the structure of the various Reserves and Funds contained within the Statement of Financial Position (formerly Balance Sheet) which the States have established over time (estimated balances as at 30 September 2020):



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- 6.4□ The States have delegated authority to the Policy & Resources Committee (and formerly the Treasury & Resources Department) to be able to commit expenditure on their behalf to certain values and for specific matters. A schedule of those delegated authorities currently in place is included as Appendix III to this Budget Report.

States' Trading Entities Reserve

- 6.5□ This is a long-term non-distributable reserve representing the book value of the shares held in commercial trading entities together with amounts held for potential liabilities or future impairments that may arise in respect of Aurigny. This Reserve needs to be separately maintained.

Core Investment Reserve

- 6.6□ This is an earmarked long-term reserve, the capital value of which is only available to be used in the exceptional and specific circumstances of severe and structural decline in public sector finances or major emergencies. As agreed as part of the MTFP, the States have a policy for the target balance of the Core Investment Reserve of 100% of General Revenue Income. This Reserve needs to be separately maintained.

Bond Reserve

- 6.7□ The Bond Reserve holds the difference between the coupon paid on the States of Guernsey Bond and the interest received on the Bond issue proceeds that have either been lent on or held in the Consolidated Investment Fund. Over the thirty two year life of the bond there will inevitably be periods in which there are varying amounts of funds invested due to the maturity profile of the on-lending and the investment returns in these periods will also vary and may be above or below the coupon rate. The Bond Reserve should be classified as a separate Reserve.

Capital Reserve

- 6.8□ This Reserve provide funding for the States' programme of capital expenditure. The profile of funding may differ markedly year on year from the programme of expenditure. The Capital Reserve allows for the funding and expenditure to be managed over the longer term, without there being any significant impact on other reserves.

General Reserve

- 6.9□ This retains the net balance of surpluses and deficits arising from the operational activities of the States. It also includes a number of Funds which are simply amounts which the States have earmarked for specific purposes. In addition, it contains the General Revenue Account Reserve which is used for managing any in-year shortfalls in income, short-term cyclical variations and other timing issues. As agreed as part of the MTFP, the policy for the average balance in the General Revenue Account Reserve is 5% of annual revenue income and the Reserve should be replenished as soon as possible after any draw-down.

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6.10 The General Reserve includes:

- Transformation and Transition Fund;

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.

- Future Guernsey Economic Fund;

This is used to fund initiatives which deliver on the objectives within the Future Guernsey Programme for Government (in Phase One of the Policy & Resource Plan) and which:

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

- Corporate Housing Programme Fund;

This Fund is used for providing grants to the Guernsey Housing Association for developments; capital expenditure on modernisation of the States Houses; and a small amount of revenue project expenditure.

- Insurance Deductible Fund;

This is used to fund expenditure on the self-insured element of insurance settlements (the States insurance arrangements include a significant level of self-insurance and there is an annual transfer into the Insurance Deductible Fund to provide for payment of these claims). As there is often a substantial time-lag between an incident happening and any subsequent claim being made / settled, there is a balance held in the Fund.

- Brexit Transition Fund;

This Fund was established as part of the 2019 Budget Report and is used to support urgent and necessary measures to manage Brexit in a controlled and timely manner and mitigate against any risks that may arise, without adversely impacting on funding for existing States' priorities.

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6.11 ☐ It is recommended that the General Revenue Reserve is created by the closure, on 31 December 2020, of the:

- ☐ Capital Reserve;

and the following funds and reserves from the existing General Reserve:

- ☐ Transformation and Transition Fund;
- ☐ Future Guernsey Economic Fund;
- ☐ Corporate Housing Programme Fund;
- ☐ Insurance Deductible Fund;
- ☐ Brexit Transition Fund; and
- ☐ General Revenue Account Reserve (Unallocated Balance)

With the balance of each Reserve / Fund and any outstanding obligations, liabilities and commitments, together with the existing delegated authorities pertaining to the expenditure, commitment or use of these Reserves / Funds, transferred to the General Revenue Reserve subject to the same terms, conditions and restrictions as are currently applicable in respect of those Reserves / Funds [Proposition 16].

6.12 ☐ This approach would progress alignment of the Budgeting Framework towards that used for the preparation of the Accounts, with expenditure no longer being disclosed within Funds but instead included within the budget of the responsible Committee, which supports the transition to International Public Sector Accounting Standards (IPSAS). It would not change the commitments for funding specific areas of expenditure or reduce the total funding currently available but instead simplify the structure and increase transparency, accountability and oversight.

6.13 ☐ The budget for the Capital Portfolio – Operating Costs (£1.2million in 2021) would instead be incorporated within the Corporate Services and Policy & Resources Committee's budgets.

6.14 ☐ Funding for transformation would be transferred from the General Revenue Reserve to individual Committee's Cash Limits / budgets. Ideally, this would be incorporated into the annual budget setting process but changes may also be agreed in-year. Committees would then have a base ongoing Cash Limit and additional budget(s) to fund transformation and transition expenditure which, by its nature, will not be recurring.

6.15 ☐ The existing ongoing commitments which have been funded from the Future Guernsey Economic Fund (Guernsey Finance: £400,000; Locate Guernsey £325,000; and Digital Greenhouse £290,000) would be incorporated within the base Cash Limit of the Committee *for* Economic Development. Other funding would be transferred from the General Revenue Reserve to the Committee's Cash Limit / budget on an annual basis or in-year (ie not included within its base ongoing Cash Limits) to fund economic maintenance / growth initiatives which are non-recurring.

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- 6.16□ A separate minor capital category would be created for modernisation of States Houses; grants to the Guernsey Housing Association would be funded from the General Revenue Reserve; and any revenue project expenditure would be either funded within Cash Limits or from the Budget Reserve. This would not alter the funding available to fund social housing which will remain a priority, but would simply remove the ring-fenced fund which currently exists.
- 6.17□ The value of the Insurance Deductible Fund will be separately maintained within the General Revenue Reserve.
- 6.18□ For the limited remaining time for which such funding is required, Brexit Transition funding would be transferred from the General Revenue Reserve to individual Committee's Cash Limits / budgets on an annual basis or in-year (ie not included within their base ongoing Cash Limits).

Alderney

- 6.19□ The formal financial relationship between Guernsey and Alderney stems from an agreement made in 1948 ("the 1948 agreement") and the two islands are *de facto* in fiscal union, although not in political union. Under the 1948 agreement, tax revenues from Alderney accrue to Guernsey and services which are designated as transferred services (including health, education, policing and immigration, and Alderney Airport) are funded by the States of Guernsey.
- 6.20□ Following a decision of the States of Deliberation in February 2016, an analysis of income and expenditure attributable to Alderney is published annually. The total net cost (excluding social security contributions and expenditure) was £7.5million in 2019. This includes £2.8million in respect of the Aurigny operating loss on Alderney routes, which is outside the scope of the transferred services funded under the 1948 Agreement.

	2019 Actual £'000
Income	
Taxation and duty revenue received by the States of Guernsey	8,623
States of Alderney – capital receipts	7
Alderney Gambling Control Commission	1,413
Total Income	10,043
Expenditure	
States of Alderney – net revenue expenditure	1,827
States of Alderney – capital expenditure	931
States of Alderney – economic development expenditure	300
Transferred Services – net revenue expenditure	11,146
Transferred Services – capital expenditure	548
Aurigny operating loss in respect of Alderney routes	2,800
Total Expenditure	17,552
Net Cost	7,509

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- 6.21□ With regard to social security attributable to Alderney, it is estimated that benefit payments exceed contributions by approximately £3.5million per annum.
- 6.22□ There are a number of businesses based in Guernsey which benefit from the e-gaming sector in Alderney; it is estimated that their annual contribution through personal income tax and social security contributions is in the region of £1.9million per annum.
- 6.23□ In February 2016 (Billet d'État II, 2016), the States considered a Policy Letter from the Policy Council titled *"The Review of the Financial Relationship between Guernsey and Alderney"* and, as supported by both islands, 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 defences and water), 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.
- 6.24□ In order to enable the revised arrangements to be introduced, the States of Alderney have amended their existing Occupiers' Rates system (which uses the existing Cadastre register) in order to levy one property tax and approval of the primary legislation is awaited from the Privy Council. The rates of TRP on Alderney buildings would be set at zero with a commensurate adjustment to the Cash Limit. Should the approval from the Privy Council be delayed, the Policy & Resources Committee will use its existing delegated authority to set Alderney TRP rates for 2021 by Regulation at the rates requested by the States of Alderney and transfer the income raised to the States of Alderney.
- 6.25□ In August 2020 (Billet d'État XVII, 2020), the States agreed that the States of Alderney could set the rates of excise duty on motor fuel imports into Alderney^t and the rates of document duty on conveyances and other relevant documents in respect of Alderney property with the income retained to fund public services in Alderney, also with an appropriate adjustment to the Cash Limit.

^t 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.

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6.26□ The recommended Cash Limits include provision of a grant of £300,000 to the States of Alderney for the transitional year of 2021 only. Thereafter, the grant will cease and the States of Alderney will be expected to raise sufficient income to fund its expenditure on all public services which are not transferred services. However, there will remain the ability for the States of Alderney to make a case for funding from the Budget Reserve in significant and exceptional circumstances, which may be considered in the context of any reserves that Alderney has accumulated at that time.

6.27□ 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 or operating income for the States of Alderney with a commensurate adjustment to their cash limit. 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 2017 and 2020 Budget Reports 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 2020;
- delegated authority is given to the States of Alderney to:
 - make transfers from the States of Alderney capital allocation to the States of Alderney Economic Development Fund^u of a maximum of £300,000 per annum; and
 - approve uses of the States of Alderney Economic Development Fund;
- with effect from 2021, 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.

6.28□ 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 ongoing review of the 1948 Agreement.

6.29□ Therefore, in order to provide short-term certainty for the States of Alderney whilst the review of the 1948 Agreement continues, **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 2021 and the States of Alderney be authorised to transfer from the States of Alderney capital allocation to the Alderney Economic Development Fund a maximum amount of £300,000 in 2021** [Propositions 17 and 18].

^u Intended to fund projects which are designed to contribute positively to economic development, population growth, income growth or lead to expenditure reduction.

2021 BUDGET REPORT

Aurigny

- 6.30□ The 2020 Budget Report included the company's forecast of its losses for 2020 of £9.6million (including specific provision of £2.9million in respect of the Alderney routes) with a cash requirement of £25.7million. Therefore, provision was made for funding the loss within the 2020 States of Guernsey budget and the States agreed to either the Policy & Resources Committee providing a temporary overdraft facility or guaranteeing external overdraft facilities.
- 6.31□ In March 2020, within the policy letter entitled *"COVID-19 Pandemic – Initial Economic and Financial Response"*, the States were advised that it was projected that Aurigny's 2020 losses and cash requirements would significantly increase. The States resolved to *"Increase the existing authority for the Policy & Resources Committee to make available a temporary overdraft facility to Aurigny or guaranteeing external facilities by £27million to a maximum of £52.7million"*.
- 6.32□ The current 2020 forecast is for a loss of £24million (of which £3.7million is attributable to the Alderney Services, including Patient Transfer) and a total cash requirement of £44.7million. The forecast loss excludes any adjustments arising from the application of Accounting Standard FRS102 which are non-cash temporary timing differences that will 'reverse out' in future years. In addition, in common with many airlines as a result of the pandemic, a balance sheet write down of the value of aircraft owned by Aurigny may be necessary in Aurigny's 2020 Accounts. Any such write-down in value would also be a non-cash adjustment.
- 6.33□ In respect of 2021, the current forecast of the losses is £14million with a cash requirement of £53million. Aurigny's budget has been prepared based on a number of key assumptions including a gradual return to a fuller flying programme during the year, increasing frequencies and destinations as demand stabilises. In addition, separate provision of £2million has been made within the Budget Reserve pending agreement of the terms of a Public Service Obligation contract with Aurigny for operating the Alderney routes.
- 6.34□ There is considerable risk to these forecasts as there is significant uncertainty around the timing of the recommencement of flying operations; passenger demand for services; the fares that customers are willing / able to pay; the competitive landscape; and flying operations (the availability and opening hours of airports). Therefore, it is possible that, unless other mitigating action can be taken, the losses actually incurred in 2021 could be higher than the current forecast.
- 6.35□ **It is recommended that the States authorises the Policy & Resources Committee making available a temporary overdraft facility to Aurigny or guaranteeing external facilities of a maximum of £53million in 2021 [Proposition 19].**

2021 BUDGET REPORT

6.36□ The Policy & Resources Committee has identified discharging the commitment to develop a co-ordinated and coherent government framework for the consideration of all aspects of air route operation as a priority. Amongst other things, this work will need to address the unsustainable losses being incurred under the current model, whilst remaining cognisant that the airline is a strategic asset and of its role as an economic enabler.

Island Games

6.37□ In June 2016 (Billet d'État XVII, 2016), the States agreed provision of a States grant of £750,000 to the Guernsey Island Games Association towards the cost of hosting the 2021 Island Games, funded by way of a combination of:

- a) A maximum of £600,000 from the Lottery Appropriation Account (to include the operating surplus from the running of an Island Games Lottery); and
- b) A maximum of £150,000 from the capital account of the Sports Loans Fund.

6.38□ However, due to the COVID-19 pandemic, the 2021 Island Games have been cancelled. Discussions are ongoing to determine the replacement year in which Guernsey will host the Island Games (will be 2022, 2023, 2024 or 2025) and, therefore, **it is recommended that the States agrees that the funding allocated by the States in 2016 to provide a grant towards the cost of hosting the 2021 Island Games is instead made available to provide financial support for Guernsey hosting the Island Games in any one of 2022, 2023, 2024 or 2025** [Proposition 20].

The Excise Duties (Budget) Ordinance, 2020

THE STATES, in pursuance of their Resolution of the 15th December 2020 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, and all other powers enabling them in that behalf, 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	£396.01 per kilo
(b)	Cigars	£396.01 per kilo
(c)	Hand rolling tobacco	£384.44 per kilo
(d)	Other manufactured tobacco	£333.46 per kilo
(e)	Tobacco leaf – unstemmed	£370.18 per kilo
(f)	Tobacco leaf – stemmed	£373.89 per kilo

^a Ordres en Conseil Vol. XXIII, p.573; there are amendments not material to this Ordinance.

2. Petrol and gas oil -

- | | | |
|-----|---|--|
| (a) | Petrol other than any fuel used for the purpose of air navigation (and subject to b.) | 73.4p per litre |
| (b) | Petrol used for the purpose of marine navigation | 49.9p per litre
where supplied by
an approved trader
except where
supplied to an
approved trader in
which case 73.4p
per litre ^b |
| (c) | Gas oil | 73.4p per litre |

3. Other fuels -

Biodiesel	73.4p 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

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

to its delivery, then the volume of that biodiesel shall be determined by reference to the total volume including such additives.

4. Beer –

- | | | |
|-----|---|---------------|
| (a) | Beer brewed by an independent small brewery exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume | 26p per litre |
| (b) | Beer, other than beer brewed by an independent small brewery, exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume | 55p per litre |
| (c) | Beer brewed by an independent small brewery exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume | 44p per litre |
| (d) | Beer, other than beer brewed by an independent small brewery, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume | 88p per litre |

- | | | |
|-----|---|-----------------|
| (e) | Beer brewed by an independent small brewery exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume | 56p per litre |
| (f) | Beer, other than beer brewed by an independent small brewery, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume | £1.11 per litre |
| (g) | Beer exceeding 7.5 per cent volume | £1.28 per litre |

5. Spirits -

Spirits	£39.90 per litre of alcohol contained in the liquor, calculated in accordance with section 23D
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6. Cider -

- | | | |
|-----|--|---------------|
| (a) | Cider produced by an independent small cider-maker exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume | 26p per litre |
| (b) | Cider, other than cider produced by an independent small cider-maker, | 55p per litre |

	exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume	
(c)	Cider produced by an independent small cider-maker exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume	44p per litre
(d)	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	88p per litre
(e)	Cider produced by an independent small cider-maker exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	56p per litre
(f)	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	£1.11 per litre
(g)	Cider exceeding 7.5 per cent volume	£1.28 per litre

7. Wines -

(a)	Light wines not exceeding 5.5 per cent volume	69p per litre
(b)	Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)	£2.81 per litre
(c)	Other wines	£4.49 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, 2019 is repealed.

Citation.

4. This Ordinance may be cited as the Excise Duties (Budget) Ordinance, 2020.

Commencement.

5. This Ordinance shall come into force on the 1st January, 2021.

The Taxation of Real Property

(Guernsey and Alderney)

(Amendment) (No.2) Ordinance, 2020

THE STATES, in pursuance of their resolution of the 15th December, 2020^a 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^b, 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^c, substitute the tables in the Schedule to this Ordinance.

Extent.

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

Citation.

3. This Ordinance may be cited as the Taxation of Real Property (Guernsey and Alderney) (Amendment) (No. 2) Ordinance, 2020.

Commencement.

4. This Ordinance shall come into force on the 1st January, 2021.

^a Article I of Billet d'État No. XXVI of 2020.

^b Order in Council No. X of 2006.

^c Ordinance No. XXXIII of 2007, as amended by the Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2019; there are other amendments not material to this Ordinance.

SCHEDULE

Section 1

GUERNSEY REAL PROPERTY

TABLE A1

GUERNSEY RESIDENTIAL BUILDINGS

1	2	3
Property Reference	Property Description/Usage	2021 Tariff
B1.1	Domestic (whole unit) Local Market with a plan area of less than 200 assessable units	£1.87
B1.1.2	Domestic (whole unit) Local Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.15
B1.1.3	Domestic (whole unit) Local Market with a plan area of 300 or over up to (and including) 399 assessable units	£2.43
B1.1.4	Domestic (whole unit) Local Market with a plan area of 400 or over up to (and including) 499 assessable units	£2.71
B1.1.5	Domestic (whole unit) Local Market with a plan area of 500 and over assessable units	£2.98
B1.2	Domestic (flat) Local Market with a plan area of less than 200 assessable units	£1.87
B1.2.2	Domestic (flat) Local Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.15
B1.2.3	Domestic (flat) Local Market with a plan area of 300 or over up to (and including) 399 assessable units	£2.43
B1.2.4	Domestic (flat) Local Market with a plan area of 400 or over up to (and including) 499 assessable units	£2.71
B1.2.5	Domestic (flat) Local Market with a plan area of 500 and over assessable units	£2.98
B1.3	Domestic (glasshouse) Local Market	5p
B1.4	Domestic (outbuildings) Local Market	94p
B1.5	Domestic (garaging and parking) (non-owner-occupied) Local Market	£1.87
B2.1	Domestic (whole unit) Open Market with a plan area of less than 200 assessable units	£1.87
B2.1.2	Domestic (whole unit) Open Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.15
B2.1.3	Domestic (whole unit) Open Market with a plan area of 300 or over up to (and including) 399 assessable units	£2.43
B2.1.4	Domestic (whole unit) Open Market with a plan area of 400 or over up to (and including) 499 assessable units	£2.71

GUERNSEY RESIDENTIAL BUILDINGS (continued)

1	2	3
Property Reference	Property Description/Usage	2021 Tariff
B2.1.5	Domestic (whole unit) Open Market with a plan area of 500 and over assessable units	£2.98
B2.2	Domestic (flat) Open Market with a plan area of less than 200 assessable units	£1.87
B2.2.2	Domestic (flat) Open Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.15
B2.2.3	Domestic (flat) Open Market with a plan area of 300 or over up to (and including) 399 assessable units	£2.43
B2.2.4	Domestic (flat) Open Market with a plan area of 400 or over up to (and including) 499 assessable units	£2.71
B2.2.5	Domestic (flat) Open Market with a plan area of 500 and over assessable units	£2.98
B2.3	Domestic (glasshouse) Open Market	5p
B2.4	Domestic (outbuildings) Open Market	94p
B2.5	Domestic (garaging and parking) (non-owner-occupied) Open Market	£1.87
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
B13.1	Development buildings (domestic)	94p

TABLE A2

GUERNSEY COMMERCIAL BUILDINGS

1	2	3
Property Reference	Property Description/Usage	2021 Tariff
B4.1	Hostelry and food outlets	£6.70
B4.2	Self-catering accommodation	£4.20
B4.3	Motor and marine trade	£5.75
B4.4	Retail	£11.70
B4.5	Warehousing	£6.20
B4.6	Industrial and workshop	£4.95
B4.7	Recreational and sporting premises	£2.85
B4.8	Garaging and parking (non-domestic)	£6.20
B5.1	Utilities providers	£48.55
B6.1	Office and ancillary accommodation (regulated finance industries)	£45.30
B6.2	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)	£27.20
B6.3	Office and ancillary accommodation (legal services)	£45.30
B6.4	Office and ancillary accommodation (accountancy services)	£45.30
B6.5	Office and ancillary accommodation (NRFSB)	£45.30
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
B13.2	Development buildings (non-domestic)	£6.50

TABLE A3

GUERNSEY RESIDENTIAL LAND

1	2	3
Property Reference	Property Description/Usage	2021 Tariff
L1.1	Communal (flat) Local Market	24p
L1.2	Communal (flat) Open Market	24p
L3.1	Domestic Local Market	24p
L3.2	Domestic Open Market	24p
L3.5	Domestic Social Housing	24p

TABLE A4

GUERNSEY COMMERCIAL LAND

1	2	3
Property Reference	Property Description/Usage	2021 Tariff
L1.3	Hostelry and food outlets	49p
L1.4	Self-catering accommodation	49p
L1.5	Motor and marine trade	49p
L1.6	Retail	49p
L1.7	Warehousing	49p
L1.8	Industrial	49p
L1.9	Recreational and sporting premises	49p
L1.10	Office and ancillary accommodation (regulated finance industries)	£1.62
L1.11	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)	97p
L1.11.2	Office and ancillary accommodation (legal services)	£1.62
L1.11.3	Office and ancillary accommodation (accountancy services)	£1.62
L1.11.4	Office and ancillary accommodation (NRFSB)	£1.62
L1.12	Utilities providers	49p
L2.1	Approved development site	£1.62
L3.3	Horticulture	24p
L3.4	Agriculture	24p
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)	49p

ALDERNEY REAL PROPERTY

TABLE B1

ALDERNEY RESIDENTIAL BUILDINGS

1	2	3
Property Reference	Property Description/Usage	2021 Tariff
B1.1A	Domestic (whole unit) with a plan area of less than 200 assessable units	Zero
B1.1.2A	Domestic (whole unit) with a plan area of 200 or over up to (and including) 299 assessable units	Zero
B1.1.3A	Domestic (whole unit) with a plan area of 300 or over up to (and including) 399 assessable units	Zero
B1.1.4A	Domestic (whole unit) with a plan area of 400 or over up to (and including) 499 assessable units	Zero
B1.1.5A	Domestic (whole unit) with a plan area of 500 and over assessable units	Zero
B1.2A	Domestic (flat) with a plan area of less than 200 assessable units	Zero
B1.2.2A	Domestic (flat) with a plan area of 200 or over up to (and including) 299 assessable units	Zero
B1.2.3A	Domestic (flat) with a plan area of 300 or over up to (and including) 399 assessable units	Zero
B1.2.4A	Domestic (flat) with a plan area of 400 or over up to (and including) 499 assessable units	Zero
B1.2.5A	Domestic (flat) with a plan area of 500 and over assessable units	Zero
B1.3A	Domestic (glasshouse)	Zero
B1.4A	Domestic (outbuildings)	Zero
B1.5A	Domestic (garaging and parking) (non-owner-occupied)	Zero
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
B13.1A	Development building (domestic)	Zero

TABLE B2
ALDERNEY COMMERCIAL BUILDINGS

1	2	3
Property Reference	Property Description/Usage	2021 Tariff
B4.1A	Hostelry and food outlets	Zero
B4.2A	Self-catering accommodation	Zero
B4.3A	Motor and marine trade	Zero
B4.4A	Retail	Zero
B4.5A	Warehousing	Zero
B4.6A	Industrial and workshop	Zero
B4.7A	Recreational and sporting premises	Zero
B4.8A	Garaging and parking (non-domestic)	Zero
B5.1A	Utilities providers	Zero
B6.1A	Office and ancillary accommodation (regulated finance industries)	Zero
B6.2A	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)	Zero
B6.3A	Office and ancillary accommodation (legal services)	Zero
B6.4A	Office and ancillary accommodation (accountancy services)	Zero
B6.5A	Office and ancillary accommodation (NRFSB)	Zero
B7.1A	Horticulture (building other than a glasshouse)	Zero
B8.1A	Horticulture (glasshouse)	Zero
B9.1A	Agriculture	Zero
B10.1A	Publicly owned non-domestic	Zero
B11.1A	Exempt (buildings)	Zero
B12.1A	Buildings – Penal Rate	Zero
B13.2A	Development building (non-domestic)	Zero

TABLE B3

ALDERNEY RESIDENTIAL LAND

1	2	3
Property Reference	Property Description/Usage	2021 Tariff
L1.1A	Communal (flat)	Zero
L3.1A	Domestic	Zero
L3.5A	Domestic Social Housing	Zero

TABLE B4
ALDERNEY COMMERCIAL LAND

1	2	3
Property Reference	Property Description/Usage	2021 Tariff
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, legal services, accountancy services and NRFSB)	Zero
L1.11.2A	Office and ancillary accommodation (legal services)	Zero
L1.11.3A	Office and ancillary accommodation (accountancy services)	Zero
L1.11.4A	Office and ancillary accommodation (NRFSB)	Zero
L1.12A	Utilities providers	Zero
L2.1A	Approved development site	Zero
L3.3A	Horticulture	Zero
L3.4A	Agriculture	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

HERM REAL PROPERTY

TABLE C1

HERM RESIDENTIAL BUILDINGS

1	2	3
Property Reference	Property Description/Usage	2021 Tariff
B1.1H	Domestic (whole unit) with a plan area of less than 200 assessable units	Zero
B1.1.2H	Domestic (whole unit) with a plan area of 200 or over up to (and including) 299 assessable units	Zero
B1.1.3H	Domestic (whole unit) with a plan area of 300 or over up to (and including) 399 assessable units	Zero
B1.1.4H	Domestic (whole unit) with a plan area of 400 or over up to (and including) 499 assessable units	Zero
B1.1.5H	Domestic (whole unit) with a plan area of 500 and over assessable units	Zero
B1.2H	Domestic (flat) with a plan area of less than 200 assessable units	Zero
B1.2.2H	Domestic (flat) with a plan area of 200 or over up to (and including) 299 assessable units	Zero
B1.2.3H	Domestic (flat) with a plan area of 300 or over up to (and including) 399 assessable units	Zero
B1.2.4H	Domestic (flat) with a plan area of 400 or over up to (and including) 499 assessable units	Zero
B1.2.5H	Domestic (flat) with a plan area of 500 and over assessable units	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

TABLE C2

HERM COMMERCIAL BUILDINGS

1	2	3
Property Reference	Property Description/Usage	2021 Tariff
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, legal services, accountancy services and NRFSB)	Zero
B6.3H	Office and ancillary accommodation (legal services)	Zero
B6.4H	Office and ancillary accommodation (accountancy services)	Zero
B6.5H	Office and ancillary accommodation (NRFSB)	Zero

TABLE C3
HERM RESIDENTIAL LAND

1	2	3
Property Reference	Property Description/Usage	2021 Tariff
L1.1H	Communal (flat)	Zero
L3.1H	Domestic	Zero
L3.5H	Domestic Social Housing	Zero

TABLE C4
HERM COMMERCIAL LAND

1	2	3
Property Reference	Property Description/Usage	2021 Tariff
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, legal services, accountancy services and NRFSB)	Zero
L1.11.2H	Office and ancillary accommodation (legal services)	Zero
L1.11.3H	Office and ancillary accommodation (accountancy services)	Zero
L1.11.4H	Office and ancillary accommodation (NRFSB)	Zero
L1.12H	Utilities providers	Zero
L2.1H	Approved development site	Zero
L3.3H	Horticulture	Zero
L3.4H	Agriculture	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

FISCAL POLICY FRAMEWORK

In January 2020 (Billet d'État I, 2020), the States agreed to adopt a revised Fiscal Policy Framework and its Principles.

Principle 1: Guernsey's fiscal policy should operate on a principle of long-term permanent balance.

This has been the governing principle of the Framework since its introduction and all subsequent principles stem from this one of fiscal sustainability. It means that, over the long-term, Guernsey should not spend more money on public services than it receives in revenues. Some years it may be necessary to run a fiscal deficit and utilise Government reserves to meet the cost of providing services. Under this principle, if it is necessary to draw down government reserves to support a temporary deficit, efforts should be made to restore those reserves with surpluses in subsequent years.

The net value of reserves are forecast to reduce in each of 2020 and 2021.

Principle 2: The annual net deficit reported on the General Revenue accounts for any given year should not exceed 15% of revenue income.

The forecast deficits are 9.6% for 2021 and 13.9% for 2020 or 6.9% for 2021 and 10.6% for 2020 if the Aurigny losses are excluded. Business support measures alone represent an unanticipated increase in spending of more than 10% in 2020.

Principle 3: Annual net deficits reported in the General Revenue accounts should not be allowed to persist for more than five consecutive years.

The deficits that are forecast for 2020 and 2021 will need to be resolved by 2025 in order to comply with this principle.

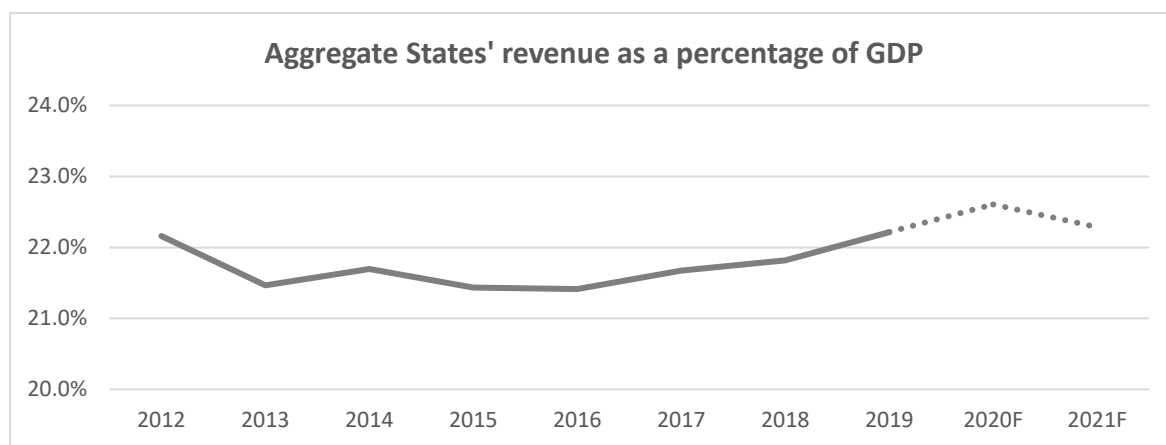
Principle 4: Measures to address any identified or anticipated deficit must be incorporated in the States Medium Term Financial Plan.

The new medium term plan (termed the funding and investment plan in the recovery strategy) which will be submitted for debate in early 2021 will include measures to address the deficit.

Principle 5: The aggregate amount of States' revenue should not exceed 24% of GDP.

This principle governs the aggregate size of the public sector in Guernsey. Its intention is to provide a limit on the maximum amount of money it is deemed appropriate to take out of the general economy to be redirected to the provision of public services.

This includes all forms of taxation from within General Revenue, Social Security contributions and the operating income of committees, but does not include the return on investments.

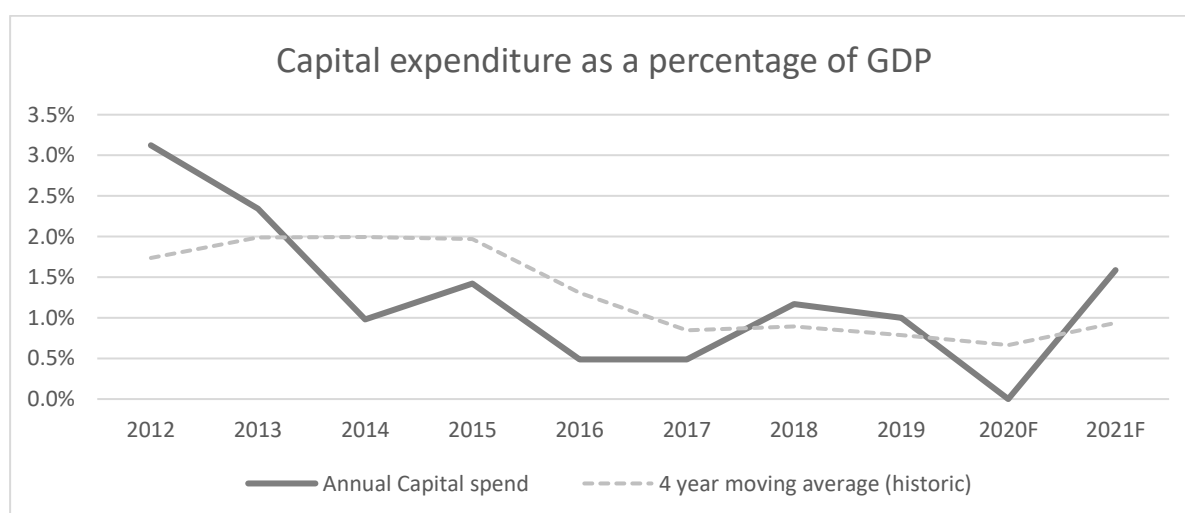


GDP^a has reduced as a result of the economic shock meaning that, despite the loss of revenues during 2020 as a result of COVID-19, aggregate revenues are expected to increase from 22.2% of GDP in 2019 to 22.6% of GDP in 2020 but are anticipated to fall in 2021 as some of the GDP output lost is restored.

Principle 6: Total capital expenditure over any States term should be maintained at a level which reflects the need for long and medium term investment in infrastructure and direct capital expenditure by the States should average no less than 1.5% of GDP per year averaged over a four year period and 2% per year averaged over any 8 year period.

The States of Guernsey have historically struggled to meet their direct spending commitments on capital. In 2019, the States funded £32m of major and minor capital works (1.0% of GDP) from the Capital Reserve. Between 2016 and 2019, the States directly invested an average of 0.8% of GDP per annum in the capital programme. Minimal capital spending is anticipated in 2020 largely as a result of the need to redirect human and financial resources to the management of the pandemic.

As shown in the graph below, it is forecast that States capital expenditure will be less than the 1.5% of GDP per year averaged over a four year period and 2% per year averaged over any 8 year period specified in Principle 6 of the Fiscal Policy Framework.



^a GDP estimate is £3.25bn for 2019 and forecast to be £2.99bn in 2020 and £3.15bn in 2021.

Principle 7: The States' total debt should not exceed 15% of GDP.

The definition of debt includes any direct borrowing and contingent liabilities associated with guaranteeing the borrowing of States trading entities, States owned enterprises and Non-Government Organisations (NGOs). Guarantees or assurances offered on the operational cash flow arrangements of the States trading entities and States owned enterprises (for example the guarantee of overdraft facilities) are excluded.

The following table details the forecast States' total debt:

	2020		2021	
	£m	% of Forecast GDP	£m	% of Forecast GDP
Direct Liabilities				
States of Guernsey Bond	330	11.0%	330	10.5%
Revolving Credit Facility (maximum £225m)	80	2.7%	150	4.8%
Indirect and contingent liabilities				
Cabernet Ltd (loan for aircraft purchase, maximum £51m)	43	1.4%	41	1.3%
Total	453	15.1%	521	16.5%

Therefore, the States' total debt will exceed the 15% of GDP limit specified in Principle 7 of the Fiscal Policy Framework.

However, this breach was anticipated in May 2020 when the States agreed, notwithstanding Principle 7 of the Fiscal Policy Framework, to authorise the Policy & Resources Committee to enter into a maximum of £250million of additional short-term external borrowing facilities in order to meet the cash flow requirements of the States of Guernsey arising from the impact of the COVID-19 pandemic.

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

2021	1.5% increase				
2020	6.9% increase	Cigarettes and cigars (RPIX plus 5%)			
	9.4% increase	All other tobacco products (RPIX plus 7.5%)			
2019	7.4% increase	Cigarettes (RPIX plus 5%)			
	7.9% increase	Cigars (RPIX plus 7.9%)			
	9.9% increase	All other tobacco products (RPIX plus 7.5%)			
2018	7.8% increase	Cigarettes (RPIX plus 5%)			
	10.3% increase	All other tobacco products (RPIX plus 7.5%)			
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

2021	1.5% increase	2014	5% increase
2020	5% increase	2013	3% increase
2019	5% increase	2012	3% increase
2018	5% increase	2011	3.5% increase
2017	5% increase	2010	15% increase on spirits only
2016	5% increase	2009	5.5% increase
2015	5% increase	2008	20% increase

Duty on Fuel

2021	1.5% increase		
2020	3.1% increase (to maintain the real value of income received)		
2019	4.6% increase (to maintain the real value of income received)		
2018	5.5% increase (to maintain the real value of income received)		
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

2021	No change
2020	No change
2019	Duty on bonds set to 0% with compensatory increases in rates for conveyances; introduction of a higher band for conveyances for the proportion of the property value which exceeds £2million
2018	No change
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 / Taxation of Real Property

2021	1.5% increase	
2020	10.2% increase 10% increase	Domestic Commercial
2019	10% increase 5% increase	Domestic Commercial
2018	10.2% increase 5% increase	Domestic Commercial
2017	10.5% 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

SUMMARY OF DELEGATED AUTHORITIES

The Policy & Resources Committee has delegated financial authority to:

- ☐ Approve expenditure on progressing to capital vote request stage those projects in the States approved capital portfolio (Capital Prioritisation, Billet d'État XIX, September 2013);
- ☐ Approve opening capital votes for any project with a value not exceeding £2million, funded from the Capital Reserve (Policy & Resource Plan Phase 2, Billet d'État No XII, June 2017);
- ☐ Approve opening capital votes for urgent capital projects of up to £2million (States Capital Investment Portfolio, Billet d'État XVI, July 2014);
- ☐ Approve opening capital votes for emergency capital projects without limit;
- ☐ Make transfers from the Budget Reserve approved by the States (up to the amount available within the Reserve) (Budget 2015, Billet d'État XXII, 2014);
- ☐ Decide whether to transfer the real-terms investment returns from the Core Investment Reserve to the Capital Reserve (Budget 2018, Billet d'État XX, 2017);
- ☐ Approve use of the Future Guernsey Economic Fund (Budget 2015, Billet XXII, 2014). It has onwardly delegated authority of up to a maximum of £100,000 per project / £500,000 per annum to the Committee *for* Economic Development (as authorised in Budget 2019, Billet d'État XXIV, 2018);
- ☐ Approve use of the Transformation and Transition Fund up to the following authority levels^a:
 - ☐ Public Service Reform portfolio - £2.1million;
 - ☐ Social Policy Development - £750,000;
 - ☐ Transforming Education & Training Services - £3.5million;
 - ☐ Transforming Health & Care Services - £5.3million;
 - ☐ Transforming Justice & Equality Services - £750,000;
 - ☐ Transforming Other Government Services - £750,000;
 - ☐ Civil Service Reform - £750,000;
 - ☐ Development of the People Plan - £1.25million;
 - ☐ Organisational and Service Design^b - £8million;
 - ☐ Development of an Energy Policy - £375,000;
 - ☐ Introduction of resource accounting and budgeting - £1.3million;
 - ☐ Population Management - £1million;

^a The Policy & Resources Committee has exercised a number of these delegated authorities and therefore, the balance remaining will be lower than the total shown above; for example, £1.935million has been approved for progressing the Public Service Reform portfolio.

^b This authority was expanded to incorporate work on progressing the following savings initiatives: Future Digital Services; Procurement; Managing Sickness; Overtime and Allowances; Property Rationalisation; and the Revenue Service as well as the oversight of Public Service Reform as a whole (Budget 2020, Billet d'État XXI, 2020).

- Operating model for land and property - £1million;
 - Implementation of States Review Committee proposals - £530,000;
 - Fundamental Spending Review Fund commitments - £817,000; and
 - Up to a maximum of £250,000 per initiative for any transformation initiative for which it doesn't have specific delegated authority (Budget 2016, Billet d'État XIX, 2015);
- Increase Committee budgets to fund redundancy costs where a business case demonstrates, inter alia, a net financial saving to the States and consequential reduction in an ongoing cash limit;
 - Undertake strategic property purchases and sales;
 - Approve loans from the States of Guernsey Bond to States owned entities, trading accounts and funds, the Guernsey Housing Association, the Alderney Housing Association, the Ladies College and Alderney Electricity (2015 Budget Billet d'État XXII, 2014);
 - Approve investments in the Overseas Aid & Development Impact Investment Fund (2019 Budget, Billet d'État XXIV, 2018);
 - Approve uses of the Participatory Budgeting Fund (2019 Budget, Billet d'État XXIV, 2018);
 - Approve uses of the Brexit Transition Fund (2019 Budget, Billet d'État XXIV, 2018);
 - Make available loans of a maximum amount of £1million to sporting organisations or playing field authorities to support the provision of sporting facilities (Billet d'État XVI, 2020);
 - Approve measures that give direct financial assistance to companies or individuals, at a maximum cost of £30million, funded from the General Revenue Account Reserve (States resolution of 20 March 2020);
 - Approve financial support measures for businesses and individuals as a result of the COVID-19 pandemic, of up to £100million, to be funded from the Core Investment Reserve (resolution of 1 May 2020).

Principal Committees have delegated authority in respect of revenue expenditure within their authorised budgets.

The Committee *for* Employment & Social Security has delegated authority of up to £250,000 for capital expenditure from the Social Security funds.

The States' Trading Supervisory Board has delegated authority for capital expenditure of up to £2million by the unincorporated trading assets (Guernsey Water, Guernsey Waste, States Works, Guernsey Dairy, Ports) (Ports - Policy & Resource Plan Phase 2, Billet d'État No XII, June 2017).

Capital Reserve Projects

The States have delegated the following specific authorities to the Policy & Resources Committee in respect of projects funded from the Capital Reserve:

- **Revenue Service** – up to £17.1million to be funded from the Capital Reserve and the Guernsey Insurance Fund
 - Billet d’État No XI, States Meeting on 18th April 2018
 - Resolution:
 - *“To delegate authority to the Policy & Resources Committee to approve a Capital vote of a maximum of £5m to fund the next phase of the Revenue Service programme. £2.5m of which is to be charged to the Capital Reserve and £2.5m to the Guernsey Insurance Fund and which will be released in phases and on approval of the necessary business cases.”*
 - Billet d’État No VII, States Meeting on 18th March 2020
 - Resolution:
 - *“To delegate authority to the Policy & Resources Committee to approve a Capital vote of a maximum of £12.1million to fund the next phase of the Revenue Service programme. Funding will be divided between the Capital Reserve and the Guernsey Insurance Fund in a presumed 2:1 split, with the final split agreed by the Policy & Resources Committee and the Committee for Employment & Social Security at the end of the phase. Funding will be released in stages and on approval of the necessary documentation.”*
- **Alderney Airport Runway Rehabilitation** – up to £12.2million
 - Billet d’État No I, States Meeting on 30th January 2019
 - Resolution:
 - *“Subject to the Policy & Resources Committee’s approval of the Final Business Case, to direct that Committee to increase the existing capital vote for the Alderney Airport Project, funded from the Capital Reserve, to a maximum of £12.2 million to fund the construction of the runway pavement rehabilitation scheme, in accordance with Option 3, including the design stage, professional fees and contingencies.”*
- **Hospital Modernisation** – up to £44.3million
 - Billet d’État No V, States Meeting on 27th March 2019
 - Resolution:
 - *“To delegate authority to the Policy & Resources Committee, following approval of the necessary business cases, to open capital votes of a maximum of £44.3million, charged to the Capital Reserve, to fund Phase 1 of the Hospital Modernisation Programme, as set out in section 7 of the Policy Letter.”*

- **Future Digital Services – up to £43.6million**
 - Billet d’État No X, States Meeting on 12th June 2019
 - Resolutions:
 - *“To approve funding from the Capital Reserve of a maximum of £26.9m for the improvement of business as usual IT services by the Strategic Partner, including transition, transformation, and major asset investment, and to delegate authority to the Policy & Resources Committee to open capital votes for the individual projects after consideration of the appropriate project business cases.”*
 - *“To approve funding from the Capital Reserve of a maximum of £16.7m for a programme of digital transformation, and to delegate authority to the Policy & Resources Committee to open capital votes for the individual projects after consideration of the appropriate project business cases.”*
- **Transforming Education Programme – up to £157.2million**
 - Billet d’État No XVI, States Meeting on 6th September 2019 and
 - Billet d’État No VIII, States Meeting on 12th March 2020
 - Resolutions:
 - *“To note that the capital costs of the policy of organising secondary education in one 11-18 school operating in two colleges, which was agreed by the States on the 19th of January 2018, will be up to a maximum of £77.9 million (revised to £77.3million on 12 March 2020); and to delegate authority to the Policy & Resources Committee to approve expenditure up to a maximum of £77.9million (revised to £77.3million on 12 March 2020) charged to the Capital Reserve (in respect of the total project costs comprising building, transformation and transition, and the accommodation of services to children and their families which would benefit from working in closer partnership with the school and colleges) subject to the approval of appropriate business cases submitted by the Committee for Education, Sport & Culture which must demonstrate that the financial resources requested for the construction and operation of the preferred option balance cost and outcomes and therefore represent value for money, in the development of the 11-18 school and colleges on the sites of the current Les Beaucamps High School and St Sampson’s High School as part of the Transforming Education Programme.”*

- ☐ *“To note that the capital costs of the policy of organising further and higher education in purpose-built facilities on a single site, which was agreed by the States on the 19th of January 2018, will be up to a maximum of £51.1 million; direct the Policy & Resources Committee to add this project to the capital portfolio 2021 – 2025; and delegate authority to the Policy & Resources Committee to approve expenditure up to a maximum of £51.1 million charged to the Capital Reserve (in respect of the total project costs comprising building; transformation and transition) subject to the approval of appropriate business cases submitted by the Committee for Education, Sport & Culture which must demonstrate that the financial resources requested for the construction and operation of the preferred option balance cost and outcomes and therefore represent value for money in the development of The Guernsey Institute at Les Ozouets as part of the Transforming Education Programme.”*
- ☐ *“To note that the capital costs of redeveloping La Mare de Carteret Primary School will be in the range of £13.4 million to £22.4 million; and to delegate authority to the Policy & Resources Committee to approve expenditure, subject to the submission of appropriate business cases by the Committee for Education, Sport & Culture, of up to £22.4 million, which may be drawn down over a period of two years from 2022, for the capital redevelopment of La Mare de Carteret Primary School as part of the Transforming Education Programme; and to note that the business cases associated with this project will include the results of a review of capacity in the primary phase across the Island.”*
- ☐ *“To delegate authority to the Policy & Resources Committee to approve expenditure, subject to the submission of appropriate business cases by the Committee for Education, Sport & Culture, of up to £5.8 million (revised to £6.4million on 12 March 2020) on the Digital Roadmap, which is intended significantly to improve digital services across the education estate as part of the Transforming Education Programme.”*
- ☐ **Electronic Patient Record System – up to £20.0million**
 - ☐ Billet d’État No XI, States Meeting on 22nd May 2020
 - ☐ Resolutions:
 - ☐ *“To delegate authority to the Policy & Resources Committee to open a capital vote for the Replacement Electronic Patient Record system, of a maximum of £20million, subject to the Policy & Resources Committee approval of the Full Business Case.”*

- **Guernsey Airport Hold Baggage System Upgrade – up to £12.0million**
 - Billet d'État No XI, dated 4th May, States Meeting on 18th June 2020
 - Resolution:
“To delegate authority to the Policy & Resources Committee to increase the capital vote for the Hold Baggage Screening system upgrade project, to a maximum of £12.0 million, subject to the Policy & Resources Committee’s approval of the Full Business Case.”

INCOME AND EXPENDITURE ACCOUNT

2019	2020				2021
Actual	Original Budget	<u>Income and Expenditure by Category</u>			Budget
£'000s	£'000s		Note	£'000s	
Income					
349,176	347,700	Income Taxes	1	333,700	
89,254	93,250	Other Taxes	2	92,250	
38,355	36,125	Miscellaneous Income	3	34,600	
476,785	477,075	General Revenue Income		460,550	
42,674	42,473	Committee Operating Income (including transfers)		42,989	
519,459	519,548	Total Income		503,539	
Less Expenditure					
238,866	234,843	Pay	4	249,696	
135,234	138,468	Non-Pay	5	141,408	
77,362	79,705	Formula-Led	6	83,340	
-	(465)	Balance of Budget Reduction		-	
-	(3,340)	Transfer from General Reserve		-	
-	(2,700)	Savings Target		(7,000)	
451,462	446,511	Revenue Expenditure		467,444	
-	19,987	Budget Reserve		34,915	
-	6,250	Service Developments		10,180	
67,997	46,800	Revenue (Deficit) / Surplus		(9,000)	
8,673	3,450	Capital Income		2,729	
76,670	50,250	Net (Deficit) / Surplus		(6,271)	
Transfers					
(63,169)	(43,450)	To Capital Reserve		(2,729)	
		To States Trading Entities Reserve (States' Trading Supervisory Board Provision for Aurigny Loss)		(14,000)	
(9,686)	(6,800)				
3,815	-	Transfer (from) / to General Reserve		(23,000)	

INCOME AND EXPENDITURE ACCOUNT

2019	2020	Income and Expenditure by Service Area	2021
Actual	Original Budget		Budget
£'000s	£'000s		£'000s
476,785	477,075	Revenue Income	460,550
8,673	3,450	Capital Income	2,729
485,458	480,525	Total Income	463,279
Net Revenue Expenditure			
42,079	49,643	<i>Policy & Resources Committee</i>	53,285
6,275	5,985	<i>Committee for Economic Development</i>	6,045
80,168	76,705	<i>Committee for Education, Sport & Culture</i>	82,655
87,134	89,600	<i>Committee for Employment & Social Security</i>	93,660
11,971	12,535	<i>Committee for the Environment & Infrastructure</i>	12,990
128,807	124,665	<i>Committee for Health & Social Care</i>	135,275
32,125	31,225	<i>Committee for Home Affairs</i>	32,700
532	531	<i>Scrutiny Management Committee</i>	540
1,296	1,290	<i>Development & Planning Authority</i>	1,345
2,960	3,080	<i>Overseas Aid & Development Commission</i>	2,320
5,685	1,257	<i>States' Trading Supervisory Board</i>	1,345
2,229	2,540	<i>Royal Court</i>	2,590
5,193	5,300	<i>Law Officers</i>	5,880
507	507	<i>Pooled Budgets</i>	525
1,827	1,875	<i>States of Alderney</i>	300
-	6,250	<i>Service Developments</i>	10,180
-	19,987	<i>Budget Reserve</i>	34,915
-	(2,700)	<i>Savings Target</i>	(7,000)
408,788	430,275	Total Cash Limits	469,550
76,670	50,250	Net (Deficit) / Surplus	(6,271)
Transfers			
(63,169)	(43,450)	<i>To Capital Reserve</i>	(2,729)
		<i>To States Trading Entities Reserve</i>	
		<i>(States' Trading Supervisory Board Provision for Aurigny Loss)</i>	
(9,686)	(6,800)		(14,000)
3,815	-	Transfer (from) / to General Reserve	(23,000)

NOTES

1. Income Taxes

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
276,634	278,000	Individuals	271,700
62,297	59,700	Companies (including Banks)	51,700
10,245	10,000	Distributed Profits	10,300
349,176	347,700	Income Taxes	333,700

2. Other Taxes

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
		Customs - Excise and Import Duties	
3,782	3,950	<i>Beer</i>	4,050
899	975	<i>Cider</i>	1,050
20,625	20,850	<i>Motor Fuel</i>	20,425
3,855	3,900	<i>Spirits</i>	4,200
7,654	7,200	<i>Tobacco</i>	6,000
5,759	5,925	<i>Wine</i>	6,500
1,887	2,100	<i>Import duties</i>	100
44,461	44,900		42,325
25,344	29,000	Tax on Real Property	29,275
18,221	18,200	Document Duty - Conveyancing	19,500
1,228	1,150	Vehicle First Registration Duty	1,150
89,254	93,250	Other Taxes	92,250

NOTES

3. Miscellaneous Income

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
18,864	18,785	Housing Rental Income	19,080
10,081	9,725	Company Fees	9,660
3,099	3,065	Property Rental Income	3,050
5,317	2,100	Surplus on Notes and Coins Trading Account	2,100
(976)	1,450	Net Investment Return	-
560	550	States' Trading Companies' Dividends	250
526	300	Royalties	310
884	150	Other Income	150
38,355	36,125	Miscellaneous Income	34,600

4. Pay Costs by Pay Group

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
87,967	87,315	Established Staff	88,443
63,831	61,038	Nurses and Medical Consultants	70,819
44,657	44,540	Teachers, Lecturers and Learning Support Assistants	46,542
16,021	16,726	Public Service Employees	17,377
9,144	9,292	Police Officers	9,691
3,697	3,705	Border Agency Officers	3,782
3,575	3,485	Prison Officers	3,765
3,453	3,402	Fire Officers	3,571
2,138	2,164	Home Support Staff	2,376
1,804	1,748	Crown Officers and Judges	1,669
2,579	1,428	Other Pay Groups	1,661
238,866	234,843	Pay Costs by Pay Group	249,696

NOTES

5. Non-Pay Costs by Expenditure Category

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
		Staff Non Pay Costs	
3,466	2,577	<i>Recruitment</i>	3,488
1,955	2,217	<i>Training</i>	2,325
678	497	<i>Other Staff Costs</i>	500
<u>6,099</u>	<u>5,291</u>		<u>6,313</u>
		Support Services	
2,010	1,994	<i>Advertising Marketing and PR</i>	2,000
210	214	<i>Audit Fees</i>	242
295	290	<i>Bank Charges</i>	291
11,963	1,717	<i>Communications and IT</i>	1,469
1,960	2,335	<i>Consultants Fees</i>	2,199
12,924	29,437	<i>Contracted Out Work</i>	31,969
87	-	<i>Incidental and Other costs</i>	-
1,398	1,107	<i>Postage, Stationery and Printing</i>	1,067
2,891	3,028	<i>Risk Management and Insurance</i>	3,251
<u>33,738</u>	<u>40,122</u>		<u>42,488</u>
		Premises	
929	671	<i>Equipment, Fixtures and Fittings</i>	610
2,565	2,785	<i>Rents and Leasing</i>	2,807
16,255	16,130	<i>Repairs, Maintenance and Servicing</i>	16,299
5,008	5,156	<i>Utilities</i>	5,184
<u>24,757</u>	<u>24,742</u>		<u>24,900</u>
		Third Party Payments	
212	301	<i>Benefit Payments</i>	304
28,319	28,585	<i>Grants and Subsidies</i>	26,786
<u>28,531</u>	<u>28,886</u>		<u>27,090</u>
		Transport	
1,508	1,314	<i>Vehicles and Vessels</i>	1,342
		Supplies and Services	
26,075	22,582	<i>Services</i>	23,517
14,526	15,531	<i>Supplies</i>	15,758
<u>40,601</u>	<u>38,113</u>		<u>39,275</u>
<u>135,234</u>	<u>138,468</u>	Non-Pay Costs by Expenditure Category	<u>141,408</u>

NOTES

6. Formula-Led Costs by Expenditure Category

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
		Policy & Resources Committee	
1,947	2,080	<i>Payments to States Members</i>	2,040
		Committee for Employment & Social Security	
41,114	42,482	<i>Income Support Scheme</i>	47,425
16,737	17,151	<i>Guernsey Insurance Fund Grant</i>	16,500
8,485	8,540	<i>Family Allowance</i>	8,100
6,326	6,715	<i>Severe Disability Benefit & Carers' Allowances</i>	6,825
2,531	2,440	<i>Legal Aid</i>	2,450
222	297	<i>Concessionary TV Licences for the Elderly</i>	-
77,362	79,705	Formula-Led Costs	83,340

POLICY & RESOURCES COMMITTEE

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
		<u>Net Expenditure by Category</u>	
6,826	8,278	Operating Income	8,184
		Non Formula-Led Expenditure	
25,839	26,028	Pay costs	26,461
		Non Pay costs	
3,792	2,741	Staff Non Pay costs	3,697
15,231	22,484	Support Services	24,272
417	2,651	Premises	2,847
957	970	Third Party Payments	990
13	20	Transport	21
709	1,072	Supplies & Services	1,141
-	(125)	Balance of Budget Reduction	-
21,119	29,813		32,968
40,132	47,563	Net Non Formula-Led Expenditure by Category	51,245
		Formula-Led Expenditure	
1,947	2,080	Third Party Payments	2,040
1,947	2,080	Formula-Led Expenditure by Category	2,040
42,079	49,643	Total Net Expenditure by Category	53,285

POLICY & RESOURCES COMMITTEE

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
<u>Net Expenditure by Service Area</u>			
Non Formula-Led Expenditure			
		Core Services	
-	165	Central Services	182
1,365	1,130	External Affairs	1,259
4,075	4,337	Revenue Service	4,461
1,027	1,035	Policy & Strategy	869
844	609	Treasury	938
-	(43)	Balance of Budget Reduction	-
7,311	7,233		7,709
		Corporate Functions	
696	1,555	Chief Executive's Office	1,594
524	548	Assurance & Risk	554
508	586	Communications & Media	594
452	326	Data & Analysis Services	344
440	422	Data Protection	440
2,571	2,362	Finance	2,507
6,825	5,913	Human Resources	6,903
13,639	16,674	Information Systems & Services	18,174
2,660	2,800	Insurance	2,984
703	858	Procurement	921
-	4,683	Property Services	4,716
2,768	2,697	Shared Services Centre	2,781
109	131	Tribunals & Reviews	133
-	(82)	Balance of Budget Reduction	-
31,895	39,473		42,645
117	58	Commonwealth Parliamentary Association	58
809	799	HE Lieutenant Governor	833
40,132	47,563		51,245
Formula-Led Expenditure			
1,947	2,080	Payments to States Members	2,040
1,947	2,080		2,040
42,079	49,643	Net Expenditure by Service Area	53,285

Note:

In accordance with the States decision of 27 November 2019 (Billet d'État XXII, 2019), the budget for Property Services transferred from the States' Trading Supervisory Board to the Policy & Resources Committee (Corporate Services) with effect from 2020.

COMMITTEE *for* ECONOMIC DEVELOPMENT

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
<u>Net Expenditure by Category</u>			
941	1,167	Operating Income	1,124
Non Formula-Led Expenditure			
2,766	2,754	Pay costs	2,793
		Non Pay costs	
35	49	<i>Staff Non Pay costs</i>	19
2,769	2,743	<i>Support Services</i>	2,785
27	36	<i>Premises</i>	35
1,225	1,219	<i>Third Party Payments</i>	1,219
28	67	<i>Transport</i>	67
366	284	<i>Supplies & Services</i>	251
4,450	4,398		4,376
6,275	5,985	Net Non Formula-Led Expenditure by Category	6,045

COMMITTEE *for* ECONOMIC DEVELOPMENT

2019	2020		2021
Actual	Original		Budget
£'000s	Budget		£'000s
	£'000s		
<u>Net Expenditure by Service Area</u>			
345	319	Central Services	329
12	(7)	Civil Aviation Office	18
		Finance & Economic Development	
537	623	<i>Finance Sector Development</i>	616
509	598	<i>Business Innovation & Skills</i>	609
<hr/>	<hr/>		<hr/>
1,046	1,221		1,225
1,225	1,217	Grant & Support Schemes	1,217
		Marketing & Tourism	
1,489	1,312	<i>Consumer & Communications</i>	1,346
84	80	<i>Guernsey Information Centre</i>	55
54	63	<i>Quality Development</i>	68
705	642	<i>Strategic Marketing</i>	706
466	461	<i>Trade & Media Relations</i>	462
<hr/>	<hr/>		<hr/>
2,798	2,558		2,637
336	47	Office of the Public Trustee	47
295	342	Sea Fisheries	302
218	288	Strategic Projects	270
<hr/>	<hr/>		<hr/>
6,275	5,985	Net Expenditure by Service Area	6,045
<hr/>	<hr/>		<hr/>

COMMITTEE *for* EDUCATION, SPORT & CULTURE

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
		<u>Net Expenditure by Category</u>	
6,289	6,244	Operating Income	6,211
		Non Formula-Led Expenditure	
60,005	59,769	Pay costs	62,258
		Non Pay costs	
650	614	<i>Staff Non Pay costs</i>	643
1,414	985	<i>Support Services</i>	1,010
5,509	5,298	<i>Premises</i>	5,264
14,700	14,698	<i>Third Party Payments</i>	14,784
302	228	<i>Transport</i>	237
3,877	4,662	<i>Supplies & Services</i>	4,670
-	(240)	<i>Balance of Budget Reduction</i>	-
26,452	26,245		26,608
80,168	79,770		82,655
-	(3,065)	Transfer from General Reserve	-
80,168	76,705	Net Non Formula-Led Expenditure by Category	82,655

COMMITTEE *for* EDUCATION, SPORT & CULTURE

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
<u>Net Expenditure by Service Area</u>			
605	659	Beau Sejour <i>Net expenditure</i>	700
(605)	(659)	<i>Less transfer from Channel Islands Lottery (Guernsey)</i> <i>Fund</i>	(700)
-	-		-
3,823	4,093	Central Services	4,096
423	423	Cultural Activities & Events	524
		Further Education	
8,237	8,254	<i>College of Further Education</i>	8,328
703	703	<i>Guernsey Training Agency</i>	628
1,320	1,254	<i>Institute of Health & Social Care Studies</i>	1,259
10,260	10,211		10,215
4,013	4,188	Higher Education	4,188
		Museums & Libraries	
1,576	1,550	<i>Grants to Libraries</i>	1,578
300	292	<i>Island Archive Service</i>	272
1,135	1,168	<i>Museums Service</i>	1,185
3,011	3,010		3,035
4,669	4,583	School & Pupil Support Services	5,427
		Schools	
4,218	4,001	<i>Grants to Colleges</i>	3,745
2,160	2,215	<i>Pre-School</i>	2,073
16,974	16,813	<i>Primary Schools</i>	17,218
784	799	<i>School Music Service</i>	814
20,411	20,011	<i>Secondary Schools</i>	20,775
6,773	7,014	<i>Special Schools</i>	7,311
2,001	1,995	<i>Voluntary Schools</i>	2,105
53,321	52,848		54,041
648	654	Sports	1,129
-	(240)	Balance of Budget Reduction	-
80,168	79,770		82,655
-	(3,065)	Transfer from General Reserve	-
80,168	76,705	Net Expenditure by Service Area	82,655

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
		<u>Net Expenditure by Category</u>	
31	21	Operating Income	24
		Non Formula-Led Expenditure	
4,101	4,279	Pay costs	4,503
		Non Pay costs	
44	51	Staff Non Pay costs	43
479	463	Support Services	817
5,704	5,643	Premises	5,408
1,301	1,415	Third Party Payments	1,384
36	42	Transport	50
85	103	Supplies & Services	179
7,649	7,717		7,881
11,719	11,975	Non Formula-Led Expenditure by Category	12,360
		Formula-Led Expenditure	
72,884	75,185	Third Party Payments	78,850
2,531	2,440	Supplies & Services	2,450
75,415	77,625	Formula-Led Expenditure by Category	81,300
87,134	89,600	Total Net Expenditure by Category	93,660

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
<u>Net Expenditure by Service Area</u>			
Non Formula-Led Expenditure by Service Area			
2,022	2,205	Administration of Social Security & Legal Aid	2,192
1,154	1,266	Benefits & Allowances	1,249
633	633	Central Services	1,008
130	57	Disability & Inclusion	57
270	289	Employment Relations Service	540
373	380	Health & Safety Executive	387
616	586	Housing Strategy & Planning	575
5,992	5,969	Social Housing Buildings Maintenance	5,750
529	590	Social Housing Tenancy Management	602
11,719	11,975	Net Non Formula-Led Expenditure by Service Area	12,360
Formula-Led Expenditure			
		Legal Aid	
1,531	1,620	<i>Civil Legal Aid</i>	1,630
1,000	820	<i>Criminal Legal Aid</i>	820
2,531	2,440		2,450
222	297	Concessionary TV Licences for the Elderly	-
8,485	8,540	Family Allowance	8,100
6,326	6,715	Severe Disability Benefit & Carers' Allowances	6,825
16,737	17,151	Guernsey Insurance Fund Grant	16,500
41,114	42,482	Income Support Scheme	47,425
75,415	77,625	Formula-Led Expenditure by Service Area	81,300
87,134	89,600	Total Net Expenditure by Service Area	93,660

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
<u>Net Expenditure by Category</u>			
<u>3,272</u>	<u>3,348</u>	Operating Income	<u>3,356</u>
Non Formula-Led Expenditure			
<u>2,972</u>	<u>3,161</u>	Pay costs	<u>3,271</u>
		Non Pay costs	
11	36	<i>Staff Non Pay costs</i>	19
8,134	8,412	<i>Support Services</i>	8,776
2,350	2,389	<i>Premises</i>	2,395
1,067	1,193	<i>Third Party Payments</i>	1,193
44	36	<i>Transport</i>	36
665	656	<i>Supplies & Services</i>	656
<u>12,271</u>	<u>12,722</u>		<u>13,075</u>
<u>11,971</u>	<u>12,535</u>	Net Non Formula-Led Expenditure by Category	<u>12,990</u>

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
<u>Net Expenditure by Service Area</u>			
473	465	Central Services	553
83	85	Alderney Breakwater	87
		Agriculture, Countryside & Land Management	
1,787	1,796	<i>Agriculture & Veterinary Services</i>	1,784
874	907	<i>Coastal Services</i>	907
873	868	<i>Parks, Gardens & Nature Trails</i>	868
437	459	<i>Other Environmental Services</i>	469
<hr/> 3,971	<hr/> 4,030		<hr/> 4,028
119	167	Energy & Infrastructure	164
		Traffic & Highway Services	
2,607	2,673	<i>Highway Services</i>	3,114
588	929	<i>Integrated Transport Strategy</i>	898
(438)	(488)	<i>Licensing & Traffic Services</i>	(463)
4,568	4,674	<i>Passenger Transport</i>	4,609
<hr/> 7,325	<hr/> 7,788		<hr/> 8,158
<hr/> 11,971	<hr/> 12,535	Net Expenditure by Service Area	<hr/> 12,990

COMMITTEE *for* HEALTH & SOCIAL CARE

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
		<u>Net Expenditure by Category</u>	
<u>16,750</u>	<u>15,714</u>	Operating Income	<u>16,300</u>
		Non Formula-Led Expenditure	
<u>98,500</u>	<u>96,297</u>	Pay costs	<u>106,030</u>
		Non Pay costs	
594	659	Staff Non Pay costs	809
2,933	2,462	Support Services	2,279
7,004	7,000	Premises	7,091
3,398	4,370	Third Party Payments	4,833
791	640	Transport	639
<u>32,337</u>	<u>28,951</u>	Supplies & Services	<u>29,894</u>
<u>47,057</u>	<u>44,082</u>		<u>45,545</u>
<u>128,807</u>	<u>124,665</u>	Net Non Formula-Led Expenditure by Category	<u>135,275</u>

COMMITTEE *for* HEALTH & SOCIAL CARE

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
<u>Net Expenditure by Service Area</u>			
		Central Services	
1,310	1,423	<i>Clinical Governance</i>	1,363
692	849	<i>Contract Management & Procurement</i>	853
1,738	1,706	<i>Corporate & Strategy</i>	1,907
14,584	14,767	<i>Estates & Facilities</i>	15,168
1,178	1,250	<i>Systems & Performance</i>	1,222
<hr/>	<hr/>		<hr/>
19,502	19,995		20,513
		Acute Services	
32,116	30,879	<i>Acute Hospital Services</i>	35,145
11,224	8,829	<i>Acute Off Islands Treatment</i>	9,248
1,299	1,070	<i>Health Care Management</i>	1,380
730	770	<i>Institute of Health and Social Care Studies</i>	810
2,418	2,469	<i>St John Ambulance & Rescue</i>	2,499
<hr/>	<hr/>		<hr/>
47,787	44,017		49,082
		Community Services	
16,839	17,406	<i>Adult Services</i>	19,277
13,089	13,263	<i>Childrens Services</i>	14,240
6,087	5,257	<i>Complex Placements</i>	5,256
121	110	<i>Social Care Management</i>	112
20,755	19,828	<i>Specialist Services</i>	21,875
<hr/>	<hr/>		<hr/>
56,891	55,864		60,760
		Public Health & Strategy	
1,457	1,589	<i>Community Health & Wellbeing</i>	1,599
654	670	<i>Drug and Alcohol Strategy</i>	679
914	1,139	<i>Medical Public Health</i>	1,206
838	592	<i>Public Health Management</i>	620
<hr/>	<hr/>		<hr/>
3,863	3,990		4,104
764	799	Office of the Children's Convenor	816
<hr/>	<hr/>		<hr/>
128,807	124,665	Net Expenditure by Service Area	135,275

COMMITTEE *for* HOME AFFAIRS

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
		<u>Net Expenditure by Category</u>	
2,613	2,377	Operating Income	2,453
		Non Formula-Led Expenditure	
28,260	28,419	Pay costs	29,594
		Non Pay costs	
779	855	<i>Staff Non Pay costs</i>	773
1,317	1,297	<i>Support Services</i>	1,264
1,360	1,358	<i>Premises</i>	1,408
1,096	106	<i>Third Party Payments</i>	108
230	225	<i>Transport</i>	227
1,696	1,717	<i>Supplies & Services</i>	1,779
-	(100)	<i>Balance of Budget Reduction</i>	-
6,478	5,458		5,559
32,125	31,500		32,700
-	(275)	Transfer from General Reserve	-
32,125	31,225	Net Non Formula-Led Expenditure by Category	32,700

COMMITTEE *for* HOME AFFAIRS

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
<u>Net Expenditure by Service Area</u>			
643	1,139	Administration and Central Services	892
998	-	Data Protection	-
427	433	Domestic Abuse Strategy	436
155	167	Emergency Planning	169
(22)	(20)	Gambling Control	(20)
3,827	3,766	Guernsey Fire and Rescue Service	3,958
895	917	Joint Emergency Services Control Centre	952
18,474	18,247	Law Enforcement	19,111
(394)	(165)	Population Management	(172)
5,598	5,560	Prison Service	5,767
1,524	1,556	Probation Service	1,607
-	(100)	Balance of Budget Reduction	-
<hr/> 32,125	<hr/> 31,500		<hr/> 32,700
-	(275)	Transfer from General Reserve	-
<hr/> 32,125	<hr/> 31,225	Net Expenditure by Service Area	<hr/> 32,700

SCRUTINY MANAGEMENT COMMITTEE

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
<u>Net Expenditure by Category</u>			
Non Formula-Led Expenditure			
458	426	Pay costs	460
7	6	Non Pay costs	2
59	76	<i>Staff Non Pay costs</i>	61
1	4	<i>Support Services</i>	4
7	19	<i>Premises</i>	13
		<i>Supplies & Services</i>	
74	105		80
532	531	Net Non Formula-Led Expenditure by Category	540

DEVELOPMENT & PLANNING AUTHORITY

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
<u>Net Expenditure by Category</u>			
1,243	1,257	Operating Income	1,257
<u>Non Formula-Led Expenditure</u>			
2,394	2,345	Pay costs	2,402
		Non Pay costs	
28	72	Staff Non Pay costs	71
84	91	Support Services	90
-	1	Premises	1
18	19	Transport	19
15	19	Supplies & Services	19
145	202		200
1,296	1,290	Net Non Formula-Led Expenditure by Category	1,345
<u>Net Expenditure by Service Area</u>			
94	150	Building Control	159
145	113	Planning Control	132
457	429	Planning Support	442
600	598	Policy & Conservation	612
1,296	1,290	Net Expenditure by Service Area	1,345

OVERSEAS AID & DEVELOPMENT COMMISSION

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
<u>Net Expenditure by Category</u>			
Non Formula-Led Expenditure			
-	40	Pay costs	41
2,960	3,040	Non Pay costs	2,279
2,960	3,040	<i>Third Party Payments</i>	2,279
2,960	3,080		2,320

STATES' TRADING SUPERVISORY BOARD

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
<u>Net Expenditure by Category</u>			
2,431	1,968	Operating Income	1,981
Non Formula-Led Expenditure			
4,322	1,959	Pay costs	2,022
52	87	Non Pay costs	
1,006	786	Staff Non Pay costs	91
2,162	133	Support Services	798
40	29	Premises	139
534	231	Transport	38
		Supplies & Services	238
3,794	1,266		1,304
5,685	1,257	Net Non Formula-Led Expenditure by Category	1,345
<u>Net Expenditure by Service Area</u>			
989	917	Alderney Airport	1,005
476	340	Central Services	337
56	-	Shareholder Executive	3
4,164	-	Property Services	-
5,685	1,257	Net Expenditure by Service Area	1,345

ROYAL COURT

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
<u>Net Expenditure by Category</u>			
2,093	1,936	Operating Income	1,936
Non Formula-Led Expenditure			
3,715	3,739	Pay costs	3,664
16	26	Non Pay costs	29
207	247	Staff Non Pay costs	257
198	205	Support Services	283
5	7	Premises	7
181	252	Transport	286
607	737	Supplies & Services	862
2,229	2,540	Net Non Formula-Led Expenditure by Category	2,590
<u>Net Expenditure by Service Area</u>			
893	945	Bailiff's Office	851
219	321	Client Services	419
856	929	Court Services	945
261	345	Parliament	375
2,229	2,540	Net Expenditure by Service Area	2,590

LAW OFFICERS

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
		<u>Net Expenditure by Category</u>	
185	163	Operating Income	163
		Non Formula-Led Expenditure	
5,027	5,120	Pay costs	5,672
		Non Pay costs	
91	95	Staff Non Pay costs	117
105	76	Support Services	79
25	24	Premises	25
1	1	Transport	1
129	147	Supplies & Services	149
351	343		371
5,193	5,300	Net Non Formula-Led Expenditure by Category	5,880

POOLED BUDGETS

2019 Actual £'000s	2020 Original Budget £'000s		2021 Budget £'000s
<u>Net Expenditure by Category</u>			
Non Formula-Led Expenditure			
507	507	Pay costs	525
507	507	Net Non Formula-Led Expenditure by Category	525
<u>Net Expenditure by Service Area</u>			
507	507	Children and Young People's Plan <i>Multi-Agency Support Hub</i>	525
507	507	Net Expenditure by Service Area	525

GUERNSEY AIRPORT

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
<u>Net Expenditure by Category</u>				
13,183	13,279	4,437	Operating Income	8,803
(7,660)	(8,054)	(7,763)	Pay costs	(8,219)
			Non Pay costs	
(181)	(193)	(154)	Staff Non Pay costs	(189)
(1,991)	(1,467)	(1,303)	Support Services	(1,326)
(1,346)	(1,399)	(1,492)	Premises	(1,511)
(112)	(115)	(232)	Transport	(119)
(2,288)	(2,206)	(2,531)	Supplies & Services	(2,264)
(5,918)	(5,380)	(5,712)		(5,409)
(395)	(155)	(9,038)	Operating Deficit before depreciation	(4,825)
(1,081)	(1,068)	(940)	Depreciation	(1,123)
(1,476)	(1,223)	(9,978)	Operating Deficit after depreciation	(5,948)
<u>Net Income / (Expenditure) by Service Area</u>				
			Income	
414	414	251	Advertising, picketing etc	333
760	760	185	Airport Development Charge	482
826	821	329	Car Parking Fees	555
2,083	2,048	923	Rents	1,650
8,913	9,045	2,549	Traffic Receipts	5,646
187	191	200	Recovery from Alderney Airport	137
13,183	13,279	4,437		8,803
			Operational Expenditure	
(1,440)	(1,846)	(1,766)	Administration	(1,680)
(2,371)	(2,300)	(2,318)	Aerodrome Fire Service	(2,313)
(2,756)	(2,995)	(2,538)	Airport Infrastructure	(3,078)
(2,803)	(2,101)	(2,469)	Airport Security	(2,241)
(4,208)	(4,192)	(4,384)	Navigational Services	(4,316)
(13,578)	(13,434)	(13,475)		(13,628)
(395)	(155)	(9,038)	Operating Deficit before depreciation	(4,825)
(1,081)	(1,068)	(940)	Depreciation	(1,123)
(1,476)	(1,223)	(9,978)	Operating Deficit after depreciation	(5,948)

GUERNSEY AIRPORT

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
<u>Capital Expenditure</u>				
(178)	(1,304)	-	Miscellaneous Capital Works	(50)
-	(981)	-	IT Projects and Equipment	(390)
(474)	(3,344)	(242)	Equipment, Machinery and Vehicles	(1,181)
(652)	(5,629)	(242)	Routine Capital Expenditure	(1,621)
(10)	-	-	Airport Pavements Project	-
-	-	(1,269)	Hold Baggage Project	(4,686)
10	-	1,269	Transfer from Capital Reserve	4,686
(652)	(5,629)	(242)	Net Capital Expenditure	(1,621)

GUERNSEY HARBOURS

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
<u>Net Expenditure by Category</u>				
10,139	9,662	6,689	Operating Income	8,546
(3,749)	(4,178)	(3,959)	Pay costs	(4,331)
			Non Pay costs	
(88)	(116)	(63)	Staff Non Pay costs	(142)
(52)	-	-	Peripheral Activities	-
(1,093)	(1,157)	(1,043)	Support Services	(1,255)
(1,193)	(2,110)	(1,642)	Premises	(2,168)
(75)	(98)	(78)	Transport	(106)
(322)	(563)	(478)	Supplies & Services	(485)
(2,823)	(4,044)	(3,304)		(4,156)
3,567	1,440	(574)	Operating Surplus / (Deficit) before depreciation	59
(1,174)	(1,291)	(1,258)	Depreciation	(1,300)
2,393	149	(1,832)	Operating Surplus / (Deficit) after depreciation	(1,241)

GUERNSEY HARBOURS

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
<u>Net Income / (Expenditure)</u>				
<u>by Service Area</u>				
3,711	2,446	875	Commercial Port Operations	1,468
213	(83)	(265)	Property	(104)
1,026	751	218	Leisure	299
(1,355)	(1,650)	(1,361)	Non-Commercial Port Operations	(1,577)
(28)	(24)	(41)	Ships Registry	(27)
3,567	1,440	(574)	Operating Surplus / (Deficit) before Depreciation	59
(1,174)	(1,291)	(1,258)	Depreciation	(1,300)
2,393	149	(1,832)	Operating Surplus / (Deficit) after Depreciation	(1,241)
<u>Capital Expenditure</u>				
(15)	(2,616)	-	Miscellaneous Capital Works	(825)
(146)	-	(208)	IT Projects and Equipment	-
(1,174)	(2,650)	(266)	Equipment, Machinery, Vehicles and Vessels	(1,533)
(1,335)	(5,266)	(474)	Routine Capital Expenditure	(2,358)
(48)	-	-	Crane Strategy	-
48	-	-	Less transfer from Capital Reserve	-
(1,335)	(5,266)	(474)	Net Capital Expenditure	(2,358)

PORTS HOLDING ACCOUNT

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
			Operating Surplus/(Deficit) before depreciation	
(395)	(155)	(9,038)	Guernsey Airport	(4,825)
3,567	1,440	(574)	Guernsey Harbours	59
<u>3,172</u>	<u>1,285</u>	<u>(9,612)</u>		<u>(4,766)</u>
329	(214)	(171)	Investment Return and Interest	(210)
(3)	-	-	Loss adjustment on asset disposal	-
			Capital Expenditure	
(662)	(5,629)	(1,511)	Guernsey Airport	(6,307)
(1,383)	(5,266)	(474)	Guernsey Harbours	(2,358)
<u>(2,045)</u>	<u>(10,895)</u>	<u>(1,985)</u>		<u>(8,665)</u>
<u>1,453</u>	<u>(9,824)</u>	<u>(11,768)</u>	Surplus / (Deficit) before depreciation	<u>(13,641)</u>
5,314	5,632	6,318	Balance at 1st January	(4,262)
1,453	(9,824)	(11,768)	Surplus / (Deficit) for the year before depreciation	(13,641)
(2,943)	-	-	Contribution to Capital Reserve	-
58	-	1,269	Contribution from Capital Reserve	4,686
2,500	6,000	-	Loans Drawdown	-
(64)	(192)	(81)	Loans Repaid	(89)
<u>6,318</u>	<u>1,616</u>	<u>(4,262)</u>	Balance at 31st December	<u>(13,306)</u>

Note:

Guernsey Ports has been significantly impacted by the COVID-19 pandemic and anticipates continued revenue pressures into 2021. The Policy & Resources Committee has agreed in principle to make an overdraft facility of £12.5million available to Guernsey Ports until the end of 2021.

GUERNSEY WATER

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
Net Income by Service Area				
Income				
			Water Supplies	
3,912	3,692	3,718	<i>Measured</i>	3,830
1,780	1,743	1,746	<i>Unmeasured</i>	1,771
			Waste Water	
6,033	6,228	6,230	<i>Measured</i>	6,513
3,095	3,102	3,073	<i>Unmeasured</i>	3,102
1,207	1,192	1,267	<i>Cesspit Emptying Charges</i>	1,204
60	39	39	<i>Grant from General Revenue</i>	(13)
(84)	275	219	(Deficit) / Surplus on other trading activities	256
<u>16,003</u>	<u>16,271</u>	<u>16,292</u>		<u>16,663</u>
Expenditure				
			Operating Expenses	
(431)	(464)	(459)	<i>Asset Management</i>	(479)
(1,318)	(1,296)	(1,179)	<i>Pumping Stations</i>	(1,153)
(3,520)	(3,469)	(3,940)	<i>Sewers</i>	(3,892)
(224)	(300)	(313)	<i>Tactical Support</i>	(372)
(422)	(432)	(428)	<i>Water Distribution</i>	(958)
(1,722)	(1,673)	(1,586)	<i>Water Production</i>	(1,491)
			Management Expenses	
(540)	(653)	(500)	<i>Water Quality and Risk Management</i>	(522)
(955)	(836)	(865)	<i>Customer Services</i>	(812)
(1,321)	(1,560)	(1,262)	<i>Management and General</i>	(1,563)
(986)	(1,028)	(999)	<i>Support Services</i>	(1,085)
<u>(11,439)</u>	<u>(11,711)</u>	<u>(11,531)</u>		<u>(12,327)</u>
4,564	4,560	4,761	Operating Surplus before depreciation	4,336
(5,324)	(4,644)	(4,804)	Depreciation / impairment of assets	(5,210)
9	-	(31)	Gain / (Loss) on disposal of fixed assets	-
<u>(751)</u>	<u>(84)</u>	<u>(74)</u>	Operating Deficit for the year	<u>(874)</u>
(17)	(328)	(356)	Net Interest payable	(343)
<u>(768)</u>	<u>(412)</u>	<u>(430)</u>	Deficit for the year	<u>(1,217)</u>

GUERNSEY WATER

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
			<u>Capital Expenditure</u>	
-	-	(52)	Land	(71)
(3,580)	(4,114)	(3,570)	Infrastructure	(5,001)
(56)	(100)	(79)	Buildings	(103)
(350)	-	(186)	Motor Vehicles	(51)
(101)	(513)	(385)	Office Equipment	(41)
(43)	(130)	(50)	Intangibles	(10)
<u>(4,130)</u>	<u>(4,857)</u>	<u>(4,322)</u>	Routine Capital Expenditure	<u>(5,277)</u>

GUERNSEY WASTE

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
Net Income by Category				
Income				
Operating Income				
1,512	2,068	1,560	<i>Bag Charges</i>	1,720
2,293	2,300	2,298	<i>Household Fixed Charge</i>	2,435
1,156	1,132	958	<i>Commercial Gate Fees</i>	1,410
940	1,053	1,078	<i>Mont Cuët and Green Waste</i>	1,528
1,308	1,334	1,334	<i>Inert Waste</i>	1,368
68	54	69	<i>Glass Waste</i>	42
18	8	15	<i>Hazardous Waste</i>	15
40	50	30	<i>Bulk Refuse</i>	81
387	-	200	<i>Other</i>	230
<u>7,722</u>	<u>7,999</u>	<u>7,542</u>		<u>8,829</u>
Expenditure				
(422)	(445)	(452)	Pay Costs	(479)
Non Pay Costs				
(3)	(4)	(3)	<i>Staff Non-Pay Costs</i>	(3)
(6,777)	(7,595)	(7,026)	<i>Support Services</i>	(8,127)
(330)	(338)	(330)	<i>Premises</i>	(338)
(2)	(2)	(2)	<i>Transport</i>	(2)
(1,610)	(1,391)	(1,734)	<i>Supplies & Services</i>	(1,748)
<u>(8,722)</u>	<u>(9,330)</u>	<u>(9,095)</u>		<u>(10,218)</u>
(1,422)	(1,776)	(2,005)	Operating Deficit before depreciation	(1,868)
(1,718)	(1,622)	(1,899)	Depreciation	(1,925)
<u>(3,140)</u>	<u>(3,398)</u>	<u>(3,904)</u>	Operating Deficit for the Year	<u>(3,793)</u>
119	(42)	(10)	Net Interest Receivable / (Payable)	(26)
<u><u>(3,021)</u></u>	<u><u>(3,440)</u></u>	<u><u>(3,914)</u></u>	Deficit for the Year	<u><u>(3,819)</u></u>

GUERNSEY WASTE

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
			<u>Capital Expenditure</u>	
-	-	-	IT Projects and Equipment	60
-	270	-	Equipment, Machinery and Vehicles	310
-	270	-	Routine Capital Expenditure	370

Note:

The Waste Strategy financial model is based on a 20 year timeframe, for which increased recycling and decreasing general waste is forecast over the medium term. The island continues to be "ahead of the curve" compared to what was anticipated immediately post- implementation. Key pricing decisions are made annually to ensure the strategy breaks even over the full 20 years.

The Policy & Resources Committee has agreed to make an overdraft facility of £4.7million available to Guernsey Waste until the end of 2021.

STATES WORKS

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
<u>Net Income by Service Area</u>				
Income				
1,435	1,441	1,273	Engineering	1,441
3,401	3,102	2,637	Highways	3,066
2,101	2,112	1,897	Land Management	2,112
2,741	2,683	2,966	Sewage Collection	2,671
1,034	1,329	1,141	Stores, Fleet & Garage	1,246
3,746	3,623	3,332	Waste Management Services	3,839
2,247	2,982	2,326	Household Waste Recycling Centre and Waste Transfer Station	3,114
387	312	312	Other	268
17,092	17,584	15,884		17,757
Expenditure				
			Management Expenses	
(768)	(716)	(491)	Administration Expenses	(847)
(1,860)	(2,114)	(2,015)	Salaries, wages and superannuation	(2,131)
			Operating Expenses	
(6,808)	(6,884)	(6,609)	Labour	(7,040)
(4,713)	(4,721)	(4,132)	Materials	(4,556)
(546)	(401)	(434)	Transport and plant	(445)
(233)	(216)	(251)	Building maintenance	(257)
(14,928)	(15,052)	(13,932)		(15,276)
2,164	2,532	1,952	Operating Surplus before depreciation	2,481
(1,362)	(1,654)	(1,518)	Depreciation	(1,770)
31	-	-	Gain on disposal of fixed assets	-
833	878	434	Operating Surplus for the year	711
345	-	-	Net Interest Receivable	-
1,178	878	434	Surplus for the year	711
<u>Capital Expenditure</u>				
(15)	(238)	(18)	Office equipment	(308)
(46)	(290)	-	Site developments	(446)
(1,144)	(2,390)	(2,575)	Vehicles, plant, tools and equipment	(1,787)
(1,205)	(2,918)	(2,593)	Routine Capital Expenditure	(2,541)

GUERNSEY DAIRY

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
Net Income by Service Area				
			Sales	
2,039	2,163	1,938	<i>Dairy products</i>	2,076
6,575	6,805	6,481	<i>Liquid Milk</i>	6,497
14	23	17	Sundry income	13
<u>8,628</u>	<u>8,991</u>	<u>8,436</u>		<u>8,586</u>
			Cost of Sales	
(60)	(42)	(50)	<i>Dairy product ingredients</i>	(61)
(4,799)	(4,759)	(4,730)	<i>Milk</i>	(4,665)
(131)	(110)	(131)	<i>Milk working loss</i>	(142)
(88)	(99)	(75)	<i>Freight</i>	(84)
(509)	(658)	(532)	<i>Packaging materials</i>	(531)
(924)	(942)	(936)	<i>Production wages</i>	(982)
<u>(6,511)</u>	<u>(6,610)</u>	<u>(6,454)</u>		<u>(6,465)</u>
			Expenses	
(33)	(44)	(41)	<i>Advertising and promotion</i>	(78)
(72)	(47)	(60)	<i>Cleaning materials</i>	(54)
(305)	(330)	(291)	<i>Fuel, light, power, water and rates</i>	(293)
(50)	(58)	(39)	<i>General administration costs</i>	(59)
(128)	(100)	(190)	<i>Laboratory expenses</i>	(185)
(43)	(32)	(28)	<i>Motor vehicle expenses</i>	(31)
(71)	(62)	(30)	<i>Other expenses</i>	(36)
(422)	(396)	(452)	<i>Professional fees</i>	(507)
(444)	(251)	(330)	<i>Repairs, maintenance and insurance</i>	(480)
(671)	(700)	(660)	<i>Salaries and wages</i>	(676)
<u>(2,239)</u>	<u>(2,020)</u>	<u>(2,121)</u>		<u>(2,399)</u>
(8,750)	(8,630)	(8,575)		(8,864)
(122)	361	(139)	Operating Surplus / (Deficit) before depreciation and interest	(278)
(303)	(314)	(314)	Depreciation / impairment of assets	(352)
<u>(425)</u>	<u>47</u>	<u>(453)</u>	Operating Surplus / (Deficit) for the year	<u>(630)</u>
37	(32)	(52)	Net Interest Receivable / (Payable)	(45)
<u>(388)</u>	<u>15</u>	<u>(505)</u>	Surplus / (Deficit) for the year	<u>(675)</u>

GUERNSEY DAIRY

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
			<u>Capital Expenditure</u>	
(1,000)	-	-	Land Transfer	-
(141)	(852)	(388)	Equipment, Machinery and Vehicles	(335)
<u>(1,141)</u>	<u>(852)</u>	<u>(388)</u>	Routine Capital Expenditure	<u>(335)</u>
-	-	-	New Dairy Project	(1,914)
-	-	-	Transfer from Capital Reserve	1,914
<u>(1,141)</u>	<u>(852)</u>	<u>(388)</u>	Net Capital Expenditure	<u>(335)</u>

Note :

The Policy & Resources Committee has agreed to make an overdraft facility of £1.2million available to Guernsey Dairy until the end of 2021, to be used exclusively to fund its urgent short-term capital expenditure requirements.

CORPORATE HOUSING PROGRAMME FUND

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
<u>Income and Expenditure by Category</u>				
Expenditure				
(32)	(103)	(100)	Pay Costs	(88)
(11)	-	(10)	Non Pay Costs	(90)
(821)	(1,596)	(1,781)	<i>Support Services</i>	(1,275)
-	(260)	(976)	<i>Premises</i>	(804)
			<i>Third Party Payments</i>	
(832)	(1,856)	(2,767)		(2,169)
(864)	(1,959)	(2,867)	Net (Deficit) for the year	(2,257)
<u>Net Income / (Expenditure)</u>				
<u>by Service Area</u>				
(554)	(885)	(885)	Modernisation	(800)
(554)	(885)	(885)		(800)
(276)	(971)	(1,872)	Corporate Initiatives & Strategies	(1,279)
(34)	(103)	(110)	<i>Social Housing Development Programme</i>	(178)
			<i>Housing Strategy Programme</i>	
(310)	(1,074)	(1,982)		(1,457)
(864)	(1,959)	(2,867)	Net (Deficit) for the year	(2,257)
24,524	22,834	23,660	Balance of Fund at 1st January	20,793
(864)	(1,959)	(2,867)	Net (Deficit) for the year	(2,257)
23,660	20,875	20,793	Balance of Fund at 31st December	18,536

GUERNSEY REGISTRY

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
<u>Net Income by Category</u>				
			Income	
10,199	10,042	10,021	Operating Income	10,100
			Expenditure	
(427)	(600)	(492)	Pay costs	(618)
			Non Pay costs	
(5)	(38)	(8)	Staff Non Pay costs	(14)
(332)	(324)	(267)	Support Services	(296)
(152)	(180)	(134)	Premises	(181)
(16)	(25)	(20)	Supplies & Services	(31)
(505)	(567)	(429)		(522)
9,267	8,875	9,100	Surplus transferred to General Revenue	8,960
<u>Net Income by Service Area</u>				
			Company Registry	
10,070	9,945	9,909	Income	10,003
(929)	(1,154)	(920)	Expenditure	(1,140)
9,141	8,791	8,989		8,863
			Intellectual Property Office	
128	97	111	Income	97
(2)	(13)	-	Expenditure	-
126	84	111		97
9,267	8,875	9,100	Surplus transferred to General Revenue	8,960

CAPITAL INVESTMENT - OPERATING COSTS

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
<u>Net Expenditure by Category</u>				
			Pay costs	
278	825	310	<i>Established Staff</i>	920
<hr/> 278	<hr/> 825	<hr/> 310		<hr/> 920
			Non Pay costs	
13	50	-	<i>Staff Non Pay costs</i>	90
191	17	2	<i>Support Services</i>	170
9	221	237	<i>Supplies & Services</i>	20
<hr/> 213	<hr/> 288	<hr/> 239		<hr/> 280
<hr/> 491	<hr/> 1,113	<hr/> 549	Total Expenditure by Category	<hr/> 1,200

SUPERANNUATION FUND ADMINISTRATION

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
<u>Net Expenditure by Category</u>				
			Pay costs	
446	390	371	<i>Established Staff</i>	443
446	390	371		443
			Non Pay costs	
263	435	311	<i>Consultants Fees</i>	435
91	91	88	<i>Support Services</i>	100
354	526	399		535
800	916	770	Total Expenditure by Category	978
<u>Capital Expenditure</u>				
33	63	73	ICT System	95
33	63	73	Routine Capital Expenditure	95

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

CONTRIBUTORY FUNDS

2019 Actual £'000s	2020 Original Budget £'000s	2020 Probable Outturn £'000s		2021 Budget £'000s
<u>Net Income / (Expenditure)</u>				
<u>by Category</u>				
Income				
184,213	188,139	177,866	<i>Contribution Income</i>	182,423
16,737	17,151	16,172	<i>States Grants</i>	16,500
<u>200,950</u>	<u>205,290</u>	<u>194,038</u>		<u>198,923</u>
Benefit Expenditure				
(150,745)	(154,319)	(157,624)	<i>Social Insurance</i>	(164,184)
(43,516)	(46,223)	(45,089)	<i>Health Insurance</i>	(47,586)
(20,402)	(21,290)	(20,640)	<i>Long-term Care Insurance</i>	(22,540)
<u>(214,663)</u>	<u>(221,832)</u>	<u>(223,353)</u>		<u>(234,310)</u>
Administration				
(2,394)	(3,845)	(2,715)	<i>Pay Costs</i>	(2,538)
(6)	(23)	(23)	<i>Staff Non Pay costs</i>	(21)
(3,428)	(2,836)	(3,971)	<i>Support Services</i>	(3,946)
(43)	(75)	(34)	<i>Premises</i>	(41)
(1)	(2)	(2)	<i>Transport</i>	(1)
(370)	(124)	(160)	<i>Supplies & Services</i>	(172)
<u>(6,242)</u>	<u>(6,905)</u>	<u>(6,905)</u>		<u>(6,719)</u>
(78)	(120)	(120)	Depreciation	(120)
<u>(20,033)</u>	<u>(23,567)</u>	<u>(36,340)</u>	Operating Deficit Before Investing Activities	<u>(42,226)</u>
<u>Net Income / (Expenditure)</u>				
<u>by Service Area</u>				
(24,557)	(26,682)	(36,385)	Guernsey Insurance Fund	(40,429)
(2,926)	(4,776)	(6,249)	Guernsey Health Service Fund	(7,859)
7,450	7,891	6,294	Long-term Care Insurance Fund	6,062
<u>(20,033)</u>	<u>(23,567)</u>	<u>(36,340)</u>	Operating Deficit Before Investing Activities	<u>(42,226)</u>
<u>Routine Capital Expenditure</u>				
(264)	(285)	(25)	Miscellaneous Capital Works	(250)
(24)	(77)	(60)	Equipment, Machinery and Vehicles	(80)
(1,676)	(350)	(1,100)	IT Projects and Equipment	(2,100)
<u>(1,964)</u>	<u>(712)</u>	<u>(1,185)</u>	Net Routine Capital Expenditure	<u>(2,430)</u>

THE LADIES' COLLEGE (Senior School)

2018/2019	2019/2020		2020/2021
Actual	Budget		Budget
£'000s	£'000s		£'000s
<u>Net Income by Category</u>			
Income			
2,689	2,920	Fees	3,352
43	32	Miscellaneous Income	33
1,828	1,621	States Grant	1,503
<u>4,560</u>	<u>4,573</u>		<u>4,888</u>
Expenditure			
7	9	Art	8
5	6	Audit Fee	6
104	115	Books and Stationery	108
260	278	Depreciation	342
46	51	Examination Fees	51
59	100	Equipment and resources	102
66	106	General Administrative Expenses	113
17	16	Laboratory and Design and Technology Expenses	16
108	184	Maintenance of Buildings, Grounds and Equipment	115
28	22	Marketing and Development Expenses	22
23	25	Rates, Taxes and Insurance	25
35	36	Recruitment and Relocation	36
3,367	3,485	Salaries and Wages	3,708
26	43	Sports, conferences, field trips etc.	46
20	20	Staff training	20
90	90	Utilities	92
<u>4,261</u>	<u>4,586</u>		<u>4,810</u>
299	(13)	Revenue Surplus / (Deficit) for the year	78
93	50	Fundraising donations received	20
(59)	(61)	Bank Interest payable	(57)
4,043	4,120	Balance b/f from previous year	4,323
<u>4,376</u>	<u>4,096</u>	Balance c/f to next year	<u>4,364</u>

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE FOR EMPLOYMENT & SOCIAL SECURITY

NON-CONTRIBUTORY BENEFIT RATES FOR 2021

The States are asked to decide:

Whether, after consideration of the policy letter entitled “Non-contributory benefit rates for 2021”, dated 6th November 2020, they are of the opinion:

1. To set the income support requirement rates at the rates set out in Table 1 of that policy letter, from 5th February 2021.
2. To set the benefit limitation for a person living in the community at £890 per week, from 5th February 2021.
3. To set the benefit limitation rates in relation to people not living in the community at the rates set out in rows 3 and 4 of Table 6 of that policy letter, from 5th February 2021.
4. To set the amount of the personal allowance payable to people in Guernsey and Alderney residential or nursing homes who are in receipt of income support at £40.00 per week, from 5th February 2021.
5. To set the amount of the personal allowance payable to people in United Kingdom hospitals or care homes who are in receipt of income support at £56.54 per week, from 5th February 2021.
6. To set the maximum rent allowances at the amounts set out in Table 8 of that policy letter, from 5th February 2021.
7. To set the supplementary fuel allowance paid to income support householders at £28.89 per week, from 30th October 2020 to 30th April 2021.
8. To set the rate of family allowance at £14.50 per week, from 1st February 2021.
9. To set the rates and annual income limit for severe disability benefit and carer’s allowance at the rates and limit set out in Table 9 of that policy letter, from 1st February 2021.

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

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

NON-CONTRIBUTORY BENEFIT RATES FOR 2021

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

6th November 2020

Dear Sir

1. Executive summary

- 1.1. The Committee *for* Employment & Social Security (“the Committee”) has undertaken its annual review of the non-contributory benefits for which it is responsible. These include income support, family allowance, severe disability benefit and carer’s allowance. The Committee is recommending that non-contributory benefits be increased in 2021 by 2.4%, being the annual rate of core inflation (RPIX) for the year to June 2020. This is in line with the usual uprating policy for non-contributory benefits.
- 1.2. For the second year, the Committee will be presenting its proposals for the uprating of non-contributory benefit rates for debate at the same States Meeting as the Budget for 2021. This year, that debate will take place later than usual, in December, due to the General Election having taken place in October. This will be too late for the required system changes to be made before the start of January, so it is proposed that non-contributory benefit rates be adjusted from 1st February 2021, except for income support rates, which are proposed to be uprated from 5th February 2021, being the first Friday in February.
- 1.3. This policy letter also provides an update on the future of the earnings disregard and a Minimum Income Standard for Guernsey. Also included is an explanation of the impacts of the COVID-19 global pandemic, the effects of which will continue into 2021, from a benefits expenditure perspective.

PART I: EXPENDITURE

2. Summary of non-contributory benefits

- 2.1. Non-contributory benefits are those funded entirely through General Revenue, which comes from tax income and not from social security contributions. These benefits include income support, family allowance, severe disability benefit and carer's allowance. In addition, the Work 2 Benefit Scheme, school uniform allowance, educational maintenance grants and free TV licence scheme for over 75s and pensioners receiving income support, are administered by the Committee and funded through General Revenue.
- 2.2. For 2021, the Committee recommends general increases in non-contributory benefits of 2.4%, in line with the RPIX figure for Quarter 2, June 2020. This follows the usual uprating policy for non-contributory benefits.

3. Income support

- 3.1. Income support was introduced on 6th July 2018 as the replacement for the supplementary benefit and rent rebate systems. The two systems were successfully amalgamated, and actual expenditure over the first year was £895,000 less than budgeted expenditure. During 2019, expenditure was on budget. The number of claims had been fairly stable since income support was implemented, with an average number of 3,033 claims across the first 18 months. However, the COVID-19 global pandemic, and in particular, the period of local lockdown, has had a significant impact on claim numbers and expenditure. Income support claim numbers peaked at 4,536 in the period of lockdown. The reduction in claims following the release from lockdown has been remarkable. At the time of writing, income support claim numbers are running at approximately 250 claims higher than the pre-pandemic levels.

Income support requirement rates

- 3.2. Income support is payable at either long-term rates or short-term rates. The short term rates are significantly lower than the long-term rates because they exclude expenses which could reasonably be deferred for a short period of time, such as the replacement of clothing. Most claims will begin at short-term rates. Long-term rates are payable when a claim reaches six months in duration, or from the outset for pensioners and those with severe disabilities. Individuals who have income that falls between their short-term and long-term requirement rate, will not receive a cash benefit for the first six months of their claim, but will be eligible to receive payment at long-term rates from six months onwards. A rent allowance, on top of the short-term or long-term rates, applies to householders living in rented accommodation.

- 3.3. The Committee recommends that income support requirement rates are increased by 2.4%, in line with RPIX for June 2020, and that the rent allowance for non-dependants is uprated by 2.4%, before being rounded to the nearest fifty pence. The proposed rates are shown in Table 1 below. The maximum rent allowances for householders appear later in this Policy Letter in Table 8.

Table 1 – Proposed weekly short-term and long-term income support requirement rates for 2021 (2020 in brackets)

Income support requirement rates for 2021	Short-term rates (Up to 6 months)	Long-term rates (Over 6 months)
Householders:		
Cohabiting/married couple	£194.49 (£189.93)	£319.13 (£311.65)
Single householder	£111.32 (£108.71)	£192.75 (£188.23)
Non-householder:		
18 or over	£84.90 (£82.91)	£144.93 (£141.53)
Rent allowance	£78.50 (£76.50)	£78.50 (£76.50)
Member of a household:		
11 and over	£79.29 (£77.43)	£113.00 (£110.35)
5 – 10	£59.63 (£58.23)	£84.91 (£82.92)
Under 5	£39.98 (£39.04)	£56.82 (£55.49)

Baskets of goods

- 3.4. Income support rates were originally calculated based on the cost of a defined basket of goods, the contents of which were the necessities of day to day living to avoid intolerable levels of poverty. An independent report, published in 2011, set out the minimum income standard for Guernsey at that time, by setting those baskets for different household types.
- 3.5. Following two reports on the modernisation of supplementary benefit in 2012¹ and 2013², which were unsuccessful, except for proposals on work

¹ Modernisation of the supplementary benefit scheme – phase 1 ([Billet d'État V of 2012, Volume I, Article VI](#))

² Benefit and contribution rates for 2014 and modernisation of the supplementary benefit scheme ([Billet d'État XX, Volume II, Article XI](#))

incentivisation, the Social Welfare Benefits Investigation Committee (SWBIC) was constituted as a Special Committee of the States in 2013. Its mandate was to examine the former supplementary benefit and rent rebate systems, and develop proposals to amalgamate the two systems into one comprehensive and affordable social welfare benefits system.

- 3.6. A part of that work was to consider the baskets of goods set out in the 2011 minimum income standard report³, and how this methodology could be used to set income support benefit rates. In doing so, SWBIC made a number of modifications to the baskets, including or excluding various items in relation to food, clothing, household goods and services, transport, etc. This resulted in a modified minimum income standard being used to set income support rates. The new short-term rates were significantly lower than those in the old supplementary benefit system, while the new long-term rates were substantially higher than the old rates.
- 3.7. The States approved the proposals in March 2016⁴, and income support was implemented in July 2018, following a further Policy Letter⁵ containing detailed proposals on implementation and transitional provisions. The income support rates were based on the adjusted minimum income standard methodology from 2011, albeit uprated to 2018 values. While income support rates, and formerly supplementary benefit rates, have been based on those 2011 baskets of goods, and simply uprated by RPIX each year, there has been no analysis of how the cost of the individual items has changed over that period or whether the contents of the baskets are still appropriate. If items are included that are no longer essential, or new essential items are not included in the basket calculation, then the income support rates will not accurately reflect the minimum income standard for Guernsey in today's terms, now ten years on.
- 3.8. The Committee believes that the minimum income standard should be recalculated regularly to ensure that the rates remain appropriate for those who receive income support. The Committee deeply regrets that there are people in Guernsey who have to rely on food banks and charitable support to make ends meet. The most crucial part of the welfare system is ensuring that the benefit rates are set at the right level. In its Policy Letter on non-contributory benefit rates for 2020⁶, the former Committee said that it was of

³ Appended to Modernisation of the supplementary benefit scheme – phase 1 ([Billet d'État V of 2012, Volume I, Article VI](#))

⁴ Comprehensive Social Welfare Benefits Model ([Billet d'État VII of 2013, Volume II, Article IX](#))

⁵ The implementation of income support and transitional provisions ([Billet d'État VIII of 2018, Article V](#))

⁶ Non-contributory benefit rates for 2020 ([Billet d'État XXI of 2019, Article II](#))

the view that the baskets of goods needed to be updated to reflect modern standards of living in Guernsey, and the States resolved:

“2. To direct the Committee for Employment & Social Security to commission an independent analysis of the baskets of goods in order to update the minimum income standard for Guernsey and to submit the findings to the States no later than the date of submission of the policy letter on non-contributory benefit rates for 2021.”

- 3.9. Resources to carry out this work were secured through the 2020 budget. The Centre for Research in Social Policy at Loughborough University was selected to undertake the work to reflect the internationally-regarded minimum income standard, which would provide a comparison with their 2011 report upon which current benefit rates are based. The methodology consists of focus groups to ascertain what items are essential, and then a pricing exercise to determine the costs of the baskets, which will identify the minimum income standard for Guernsey. A report will be presented, which can be used to inform various policy decisions in the future, including income support rates and the improving living standards work stream.
- 3.10. Unfortunately, due to the COVID-19 pandemic, it has not been possible to recruit the focus groups and the consultants have been unable to visit Guernsey as originally planned. The Committee is mindful that the current Income Support rates are based on baskets of goods that were developed 10 years ago, so it is important that this work is progressed as soon as possible. It has now been identified that the work to recruit and conduct focus groups can be undertaken remotely, as it appears that quarantine rules will prevent the consultants from coming to Guernsey in the next few months. The Committee is actively pursuing the arrangements for this with the consultants to avoid any further delays.

Benefit limitation

- 3.11. The amount of income support paid, together with any net earnings and other benefits received, in the majority of cases is equal to a householder's total personal and family requirements, including rent. However, in some cases, a household's income (i.e. the combination of earnings and benefits) is capped by what is called “the benefit limitation”. The current benefit limitation is £850 per week.
- 3.12. There is sometimes a misconception that many claimants receive £850 a week in benefit. This is certainly not the case. Ignoring the effect of adjustments such as for family allowance and the earnings disregard, a household with an income of £850 per week will not receive any financial assistance through

income support, irrespective of how much their income falls short of their identified requirements. The term benefit limitation is perhaps misleading; in reality it is an income cap, and an amount at which the States has determined that there should be no further means-tested financial support, regardless of whether it is sufficient to meet a family's needs, or whether it is reached through personal income, benefits received, or a combination of the two.

- 3.13. Several times over the years, the cap has been increased significantly above inflation, in order to reduce the number of households forced to live in poverty. The most recent adjustment was from January 2020, when the cap was increased from £750 to £850 per week. This brought the number of families affected by the cap down from 130 households to 26 households, based on 2019 data. Prior to that increase, some of the families affected had only two children, which demonstrated that the benefit limitation did not apply only to the largest of Guernsey's families.
- 3.14. The number of families affected by the cap in August 2020 was 55. The increase from last year is in part due to additional claims from COVID-19 and some changes in circumstances for claims already in payment. The Committee was very concerned to learn that so many families were living on incomes lower than they needed to avoid intolerable levels of poverty and having to make the choice between paying rent and buying food for their children. The table below shows the distribution of the number of children per household affected by the benefit limitation, when it is set at different levels.

Table 2 – Number of children affected by the benefit limitation

Weekly benefit limitation	Number of households with 2-7+ children affected by the cap						Total households	Total children
	2	3	4	5	6	7+		
£850	2	9	23	14	4	3	55	241
£870	1	6	20	13	4	3	47	213
£890	0	4	13	12	4	3	36	172
£920	0	1	9	9	4	3	26	132
£950	0	1	4	7	4	3	19	102

- 3.15. The table above shows that the benefit limitation would need to increase to at least £890 per week to prevent any families with just two children from reaching the cap. Further, there would still be four families with three children affected by the benefit limitation. The Committee is of the view that the benefit limitation should be removed, or at least significantly raised, as it is unacceptable that so many families do not have the income they need to prevent their children from living in poverty.

- 3.16. A degree of mitigation exists in the system for families impacted by the benefit limitation, in that income from family allowance can be disregarded in the calculation of their resources, enabling those families to achieve a level of income closer to their identified need. It should also be noted that an earnings disregard of £35 is applied if one parent is working, or up to £70 if both parents are working. In many cases, this can offset the impact of the benefit limitation and enable the family to achieve an income that is sufficient to meet their needs, through a combination of earnings and benefit. Of course, this means that they are disadvantaged compared to families whose needs fall below the benefit limitation, as those families retain £35 or £70 above their need, by way of the earnings disregard.
- 3.17. To illustrate the interaction between the benefit limitation and family allowance, and its impact on income support expenditure, an example has been provided in Table 3 below. This shows the impact of the benefit limitation on a family with three children when it is set at various levels. One parent in the family works, so an earnings disregard of £35 has been applied.

Table 3 – Example of the interaction between the benefit limitation and family allowance for a family with three children

Benefit limitation	£850.00	£870.00	£890.00	£920.00	£950.00
Requirement (personal allowances plus rent allowance)					
Requirement rate	£950.00	£950.00	£950.00	£950.00	£950.00
Income					
Family allowance	£43.50	£43.50	£43.50	£43.50	£43.50
Earnings from employment (net)	£700.00	£700.00	£700.00	£700.00	£700.00
Adjustments/disregards					
Value of family allowance ignored	£43.50	£43.50	£43.50	£30.00	£0.00
Earnings disregard	£35.00	£35.00	£35.00	£35.00	£35.00
Benefit Limitation	(£100.00)	(£80.00)	(£60.00)	(£30.00)	(£0.00)
Benefit due					
Income support due	£185.00	£205.00	£225.00	£241.50	£241.50
Totals					
Total weekly income	£928.50	£948.50	£968.50	£985.00	£985.00
(Shortfall)/surplus	(£21.50)	(£1.50)	£18.50	£35.00	£35.00

- 3.18. As can be seen from the example above, when family allowance is disregarded and the amount of the earnings disregard has been taken into account, a family has, in some cases, sufficient income from a combination of earnings and benefit, to meet their needs. However, in many cases, when a family's need far exceeds the benefit limitation, even when family allowance is ignored and the earnings disregard is applied, the family's income falls far

short of their needs. This means that families often have to make very difficult choices on what to spend their limited resources on, which leads to children living in poverty and missing out on opportunities early in their lives.

- 3.19. The Committee feels that it is unacceptable to have so many families living in poverty, so it is recommending that the benefit limitation is increased by a higher amount than inflation for 2021. Not only will this mean that fewer families are affected by the cap, it will also mean that, for those whose income is still limited, the difference between the amount of income they receive and their level of requirement will be smaller, so they will be closer to receiving the income they need to avoid living in intolerable levels of poverty.
- 3.20. Table 4 below shows the cost of increasing the benefit limitation compared with the number of families who are affected as the benefit limitation increases. This also shows how many families are still affected when family allowance and the earnings disregard are taken into account. This is based on a snapshot of the income support population from August 2020. By showing those families whose needs are above the cap, but who are able to achieve the income they need, through a combination of earnings and benefits, the extent of the problem becomes clearer. Those who are not able to achieve the income they need, even when the disregards are applied, are effectively forced to live in poverty, due to the arbitrary level of the benefit limitation.

Table 4 – Comparison of the number of families affected by the benefit limitation at different levels when disregards are taken into account

Benefit limitation	No. claims above benefit limitation before disregards	No. claims below requirement after family allowance is ignored as income	No. claims below requirement after family allowance & earnings disregards
£850 (current cap)	55	35	21
£870 (RPIX increase)	47	27	17
£890 (5% increase)	36	20	13
£920 (8% increase)	26	13	9
£950 (12% increase)	19	8	8
No benefit limitation	0	0	0

- 3.21. An RPIX only increase would take the benefit limitation to £870 per week for 2021. The Committee is proposing that the benefit limitation is increased by

5% instead, to £890 per week for 2021. This would cost approximately £45,000 above inflation and would mean that 36 families would continue to be affected by the benefit limitation before disregards, with an average shortfall of approximately £100 per household. The Committee believes this proposal strikes the balance between what is appropriate in the current economic climate and a move towards reducing the number of families forced to live in poverty. The Committee considers this to be an interim measure until the benefit limitation can be properly reviewed once the baskets of goods work is complete, and in light of the objectives of the Improving Living Standards and Revive and Thrive Strategy work streams. Table 5 below shows the additional cost of increasing the benefit limitation above the current rate of £850 per week.

Table 5 – Additional annual cost to General Revenue of increasing the benefit limitation above the current level

Benefit limitation	Additional annual cost above current benefit limitation
£850 (current cap)	£0
£870 (RPIX increase)	£53,743
£890 (5% increase)	£100,140
£920 (8% increase)	£150,796
£950 (12% increase)	£186,798
No benefit limitation	£284,903

- 3.22. Table 6 below shows the weekly benefit limitations which currently apply and the proposed limitations from 5th February 2021. This includes the rarely used benefit limitations for people residing in residential homes, nursing homes, EMI accommodation, and the Guernsey Cheshire home, who do not satisfy the five year residence requirements for long-term care benefit, and may therefore need to rely on income support.

Table 6 – Weekly income support limitations

Benefit limitation	2021	2020
Community	£890.00	£850.00
Residential homes	£587.00	£573.00
Nursing homes, EMI residents and Guernsey Cheshire Home	£841.00	£821.00

Earnings disregard

- 3.23. The earnings disregard is the amount of a person's earnings that can be disregarded when calculating their entitlement to income support. It is a flat rate of £35 for an individual and £70 for a couple if both partners are working. The disregard is reduced accordingly if a person earns less than £35 in a week.

Due to the nature of the disregard being applied to the first £35 earned, beyond that, it does not act as an incentive for claimants to increase their earning potential, for example through a higher paid role, or taking on additional hours. This is because, until they earn sufficient income to come off benefit entirely, every additional pound they earn would be reflected as an equal reduction of benefit.

- 3.24. The earnings disregard is a complex topic, with an annual cost of approximately £400k. It has not been fit for purpose for a number of years, and a review has therefore been long overdue. In 2018, the States resolved:

“3. To note that the Committee for Employment & Social Security will return to the States with a Policy Letter addressing the future of the benefit limitation, earnings disregard and personal allowances by March 2019.”

- 3.25. The Committee’s predecessor extensively reviewed the purpose and effectiveness of the current model of the earnings disregard and considered a number of options for its future. The earnings disregard has its origins in the now superseded supplementary benefit scheme, which was in the main an out-of-work benefit. It was available to people for whom work was unlikely because of age, illness, disability or caring responsibilities. Income support continues to help those people, but it also helps hundreds of working families. Income support is far more of an in-work benefit. For people who can work, work is obligatory not optional. The purpose of an earnings disregard as an incentive to work is therefore immediately questionable. However, the situation is more complicated than that, and there is an issue around the incentive for people who are fully employed, and meeting their work requirement, to undertake additional work when the earnings are deducted pound for pound from their income support. What would appear to be the obvious solution, of disregarding a percentage of additional earnings has the disadvantage of introducing income support eligibility to working families with earnings, which currently are clearly above levels for assistance.
- 3.26. The Committee would like to consider the option of removing the earnings disregard for claimants with a work requirement over a period of time, by gradually reducing its value and redirecting the funds saved into improving other aspects of the welfare system. It is likely that the Committee will propose retaining some form of disregard for people who do not have, or have met, their work requirement.
- 3.27. However, prior to making any such recommendation, the Committee intends to consult with claimants regarding this option. Additionally, it is important to ensure that the benefit rates are set at the correct level before adjusting the earnings disregard. The outcome of the baskets of goods work being

undertaken, therefore needs to be considered before developing proposals regarding the future of the earnings disregard.

Personal allowances

- 3.28. The Committee pays a personal allowance to residents of residential or nursing homes who qualify for income support. The personal allowance is intended to allow modest purchases, for example newspapers, confectionery, toiletries, and small family presents.
- 3.29. The Committee *for* Health & Social Care (HSC) pays for Guernsey and Alderney residents to be placed in UK hospitals and specialised institutions if their mental or physical health needs cannot be met on-Island. While HSC meets the cost of accommodation and care, residents are expected to pay for items of a personal nature from their own resources. Residents who cannot afford these items can apply to Social Security for a personal allowance.
- 3.30. It is believed that there is a need for the off-island personal allowance to be higher than the rate which applies to those in Guernsey residential and nursing homes. The Committee's view was that continuing to mirror the personal allowance rate paid to UK residents was fair, because the UK had set the rate at a level that was appropriate for the expenses that a resident would be expected to pay. Additionally, paying Guernsey residents in those institutions a lower rate than other service users would socially disadvantage them, as they would not financially be able to fully participate in activities. As of August 2020, there were 14 people claiming this allowance.
- 3.31. In its Policy Letter on non-contributory benefit rates for 2020, the Committee explained that it had reviewed personal allowances and concluded that the rate payable to Guernsey residents in UK institutions was sufficient, but that an increase in the personal allowance was required for those in Guernsey residential or nursing homes. It was proposed that £40.00 per week would be a more appropriate sum. However, due to the unavailability of budget for 2020, the Committee proposed to implement the increase in two phases. The rate increased from £32.16 in 2019, to £36.00 in 2020. The Committee is proposing that the rate is increased to £40.00 per week from 5th February 2021, reflecting the intention that was set out last year.
- 3.32. As at August 2020, there were 136 people in receipt of the personal allowance in Guernsey and Alderney. The estimated additional cost of this change, above the standard RPIX increase is £22,200 for 2021.
- 3.33. Table 7 sets out the weekly personal allowances which currently apply and the proposed allowances to apply from 5th February 2021.

Table 7 – Weekly personal allowances

Personal allowance	2021	2020
Residents of local residential and nursing homes	£40.00	£36.00
Guernsey people in UK hospitals and care homes	£56.54	£55.21

Maximum rent allowances

- 3.34. The increases in a person's requirements to allow for rental payments are known as a rent allowance and are provided for in paragraph 6 of the First Schedule to the Income Support (Implementation) Ordinance, 1971.
- 3.35. The rent charged for social housing adds the amount of the Waste Disposal Authority (WDA) standing charge element of the household waste charges. This continues to be paid directly and recovered with the rent. It was determined that this was preferable for all parties and reduced administration. The calculation of rent also takes into account taxes and charges associated with occupying the property. This means that those in the private rented sector will be able to claim a small weekly uplift (£1.63) to offset the WDA standing charge, provided that their landlord does pay the charge and recovers it, either through the rent, or directly.
- 3.36. The maximum rent allowances correspond with the highest rent charged for a social housing unit of the appropriate size. The Committee has agreed that social housing and Guernsey Housing Association (GHA) rents are frozen for 2021. This means that the maximum rent allowances for 2021 will remain the same as they were for 2020, with the exception of one bedroom properties. This is because a higher rent was charged for a one bedroom property, but this was not reflected in the maximum rent allowances applied during 2020. This has now been adjusted, as shown in Table 8 below.

Table 8 – Maximum rent allowances for 2021

Tenancy group	Description	2021	2020
Group 1	Single with no children	£234.00	£227.00
Group 2	Couple with no children	£234.00	£227.00
Group 3	Single or couple with 1 child	£271.82	£271.82
Group 4	Single or couple with 2 children	£346.05	£346.05
Group 5	Single or couple with 3+ children	£423.02	£423.02
Group 6	Living in shared accommodation	£181.16	£181.16

- 3.37. The Committee has previously agreed that the formula for setting social housing rents was not working in all cases, and that it intended to review the formula and align it with the formula used for Guernsey Housing Association properties. The States were informed last year that the Committee had

resolved to revoke the part of the Regulations which set the rent formula, which provided the Committee with the freedom to set the rents at the level that it sees fit on an annual basis, without the requirement to stick to a formula, or report back to the States. Scrutiny and oversight of the rent setting decisions made by the Committee would be provided to the States in the Committee's annual policy letter on non-contributory benefit rates, which contains the maximum rent allowances, therefore showing that all standard weekly rents are set at or below that level. Work on the rental formula is still ongoing.

- 3.38. The closure of the rent rebate scheme in 2018 and the implementation of income support means that social housing tenants are now required to pay the full standard weekly rent for the property they occupy (subject to some transitional arrangements that are still ongoing). Some of the additional expenditure on income support, compared with the supplementary benefit system, has been offset by the additional income from social housing rents. Income from social housing rents totals approximately £19m per annum.

Supplementary fuel allowance

- 3.39. A winter fuel allowance is paid from General Revenue to householders in receipt of income support for 26 weeks from the last week in October until the last week in April of the year following. The fuel allowance was £29.66 per week for the winter of October 2019 to April 2020. The rate of the fuel allowance was increased by 0.4% on the previous year and reflected the inflation adjusted cost of fuel, light and power in the year to June 2019.
- 3.40. The Committee is recommending a decrease of 2.6% in the fuel allowance, taking it to £28.89 per week, for the period from 30th October 2020 to 30th April 2021. This is in line with the change in the cost of fuel, light, and power in the year to June 2020⁷. The fuel allowance will cost in the region of £1.8m over the 26 week payment period from October 2020 to April 2021. Despite there being a decrease in the weekly rate, there will be a slight increase in cost compared with the 2019/20 winter season, which is reflective of the additional claims in payment because of the COVID-19 pandemic.
- 3.41. The Committee notes that work is in progress to make existing social housing properties more energy efficient, and that Guernsey Housing Association properties are built to a high standard in terms of energy efficiency. As previously stated, the Committee still intends to review the winter fuel allowance, and has identified a resource to progress this work stream in the

latter part of 2020 and into 2021, in line with the resolution following the debate of the Energy Policy in June 2020, which was:

“13. To direct the Committee for Employment & Social Security working with the Committee for the Environment & Infrastructure to co-ordinate an investigation of the most effective means of addressing energy poverty and report back to the States by the Q2 2021.”

- 3.42. The Committee notes that there is a potential link to the “Revive and Thrive” Strategy, as this work stream could lead to better, more targeted and appropriate support for people who are struggling financially following the COVID-19 pandemic and may be suffering from energy poverty.

Medical capital limits

- 3.43. Currently, the savings capital limit for an individual to receive medical support is lower than the capital limit for eligibility for income support. This means that some income support claimants do not qualify for medical support, and have to pay for medical expenses themselves. The current capital limits vary depending on the composition of the household, for example a single person has a medical capital limit of £3,000 and an income support capital limit of £13,000, which means that a single person with savings between those limits must pay for their own medical expenses. As at a snapshot taken in August 2020, there were 549 individuals, across 412 claims, who had savings between the medical support limits and income support limits, who therefore receive income support, but have to pay for their own medical expenses. There were a further 109 claims who had insurance which covered their medical costs, some of whom also had savings in excess of the medical capital limits.
- 3.44. Further to Deputy Roffey’s successful amendment to the Committee’s policy letter on non-contributory benefit rates for 2019⁸, the previous Committee considered alternative options to the current capital limits, and the preferred option was presented in the Policy Letter on non-contributory benefit rates for 2020⁹. At the time, the Committee did not propose that its preferred option was implemented in 2020, due to the cost and budget constraints and its preference for an increase in the benefit limitation to be prioritised.
- 3.45. The Committee agrees that everyone entitled to income support should also be entitled to receive medical support. However, at this time, it is not recommending any changes to the policy, while the outcome of the review of the baskets of goods is undertaken and pending the development of the

⁸ Non-contributory benefit rates for 2019 ([Billet d’État XXIII of 2018, Article X](#))

⁹ Non-contributory benefit rates for 2020 ([Billet d’État XXI of 2019, Article II](#))

Committee *for* Health & Social Care's work on the Partnership of Purpose, which aims to make primary care more accessible and affordable. Further, more work would need to be done to identify a cost neutral way of providing all income support claimants with medical cover. The Committee is also conscious of not widening the cliff edge between those in receipt of income support with some savings who would get free medical cover, and those just outside of eligibility for income support, who may not have savings to pay unexpected large medical bills.

Extra Needs Allowance

- 3.46. The extra needs allowances are small payments of between £10-£20 per week for claimants who can demonstrate an additional expense which arises from a medical condition or disability, such as a need for a special diet. These payments were established as part of the income support changes in July 2018. As this is a relatively new element of benefit, the Committee intends to review the appropriateness and effectiveness of the payment. However, the Committee feels that it would be useful to have more than one year's experience of how the extra needs allowance has worked, before undertaking the review, so the Committee did not propose a change to the allowance for 2020. The Committee did not prioritise this during 2020, as its view was that it would be more appropriate to undertake the review as part of, or following, the baskets of goods work that is currently in progress.

4. School uniform allowance & educational maintenance grant

- 4.1. Since 2016, the Committee has operated the school uniform allowance, which was previously managed by the Committee *for* Education Sport & Culture, and its predecessors.
- 4.2. The threshold for eligibility is linked to the income support requirement rates. 1,067 pupils received the allowance in the 2020/21 academic year. The amount received is dependent on household income. The maximum available for the current academic year is £346.12 for a Grammar school pupil, £321.62 for a secondary school pupil and £211.35 for a primary school pupil.
- 4.3. Educational maintenance grants are provided to low income families to encourage young people to remain in education. It is paid in respect of students who are 16 or 17 at the start of the academic year. The grant is made on a termly basis subject to good attendance. Financial eligibility is determined on the same basis as the uniform allowance. The full grant is £1,407.00 per annum, but the grant is also payable at reduced rates. At the time of writing, six applications for the 2020/21 academic year had been received, of which three had been approved, one had been rejected, and two were awaiting further information.

- 4.4. The combined budget for providing these services is £180,000 for 2020. There is an anticipated increase in costs, budgeted at £192,000 for 2021.

5. Family allowance

- 5.1. Family allowance is a universal benefit that is paid to all families with qualifying children, irrespective of the level of their household income. The weekly rate of family allowance was £14.20 per child for 2019 and was frozen at this rate for 2020, to reflect the ongoing work to review the allowance.

- 5.2. Expenditure on family allowance amounted to £8.5m in 2019. It is estimated that expenditure on family allowance in 2020 will be £8.5m.

- 5.3. A resolution following a successful amendment from Deputy Dorey to the former Social Security Department's 2015 report on benefit and contribution rates¹⁰ resolved:

“To agree that, after consultation with other relevant committees of the States, the Committee for Employment & Social Security shall report to the States by no later than October, 2017 setting out their opinion on whether the universal payment of family allowances should be altered, reduced or ceased and the costs thereof redirected to allow the States to provide additional financial support for some or all of the following children's services: medical and paramedical, including but not limited to primary care, dental, optical and physiotherapy provided either by States-employed clinicians or contracted private practitioners; and breakfast clubs, after school homework clubs, school meals and holiday clubs at States' schools.”

- 5.4. Deputy Dorey's amendment sought to ring-fence the funding on family allowance, so that if the allowances were to end as a cash benefit, the funds would still be spent to the benefit of children. The Committee investigated options for how this could work, with the help of the Committee *for* Health & Social Care, the Committee *for* Education, Sport & Culture, and the Policy & Resources Committee. The following proposals were presented to the States in August 2020¹¹:

- Subsidise children's GP and nurse appointments
- Subsidise children's Emergency Department attendance and treatment

¹⁰ Benefit and contribution rates for 2016 ([Billet d'État XVIII of 2015](#), Article VIII)

¹¹ Building a better future: Children's health and education ([Billet d'État No. XVI of 2020, Article XIII](#))

- Fund annual dental check-ups, fluoride varnish treatment and dental health education
 - Fund cultural enrichment activities in primary schools
- 5.5. The Committees involved recognised the importance of family allowance to many families, and agreed to retain it for those who would rely on it the most. Therefore, in order to fund the proposals, family allowance would only be removed from families with an annual household income in excess of £120,000 and payments would cease when a child reached the age of 18. The proposals were approved by the States and are due to come into force in September 2021.
- 5.6. The Committee is recommending that the weekly rate of family allowance is increased by 2.4% from 1st February 2021, which is in line with the uprating policy for other non-contributory benefits. This will take the rate from £14.20 to £14.50 per child per week, when rounded to the nearest ten pence. This will be paid to all families until the end of August 2021, and will then only be paid to families with an annual household income below £120,000, in respect of children in full time education who are under the age of 18 from September 2021.
- 5.7. It is anticipated that the cost of family allowance in 2021 will be £8.1m, which is a reduction of £0.4m in comparison to forecast expenditure for 2020. This reduction takes into account an estimated saving of £0.6m from the removal of family allowance from families with an annual household income over £120,000 and ceasing payments in respect of children at their eighteenth birthday, which will come into effect from September 2021. The pro-rata saving is calculated as lower than the amount quoted in the August 2020 Policy Letter, as it takes into account the proposed increase in the rate of family allowance from £14.20 to £14.50 from February 2021.

6. Severe disability benefit and carer's allowance

Overlapping claims to carer's allowance and sickness benefit, etc.

- 6.1. Following the debate of the policy letter on non-contributory benefit rates for 2019, the States resolved:
- “10. That the Severe Disability Benefit and Carer's Allowance (Guernsey) Law, 1984, as amended, shall be further amended to allow a carer's allowance to be received under that Law at the same time as any benefit under the Social Insurance Law.”
- 6.2. This was to reflect the change in rules that allowed people to be in receipt of carer's allowance, as well as being employed, and the fact that many of the

benefits under the Social Insurance (Guernsey) Law, 1978, are intended to be for income replacement.

- 6.3. The Committee is pleased to say that the Severe Disability Benefit and Carer's Allowance (Guernsey) (Amendment) Law, 2019, was brought into force on 20 April 2020, which discharges this resolution.

Rates and annual income limit

- 6.4. The Committee recommends that the rates of severe disability benefit and carer's allowance be increased by 2.4%, with effect from 1st February 2021, as shown in Table 9 below.

Table 9 – Current and proposed annual income limit and weekly rates of severe disability benefit and carer's allowance

	2021	2020
Severe disability benefit - weekly rate	£111.02	£108.43
Carer's allowance - weekly rate	£89.83	£87.72
Annual income limit for both allowances	£103,600.00	£101,200.00

- 6.5. Actual benefit expenditure on severe disability benefit and carer's allowance for 2017-2019 is shown in Table 10. The expected outturn for these benefits for 2020 and the budget figure for 2021 is also shown in Table 10. The increase in expenditure is in part due to the continuation of an increasing number of claims following legislative changes, promotion of the benefit, and an ageing population.

Table 10 – Expenditure on severe disability benefit and carer's allowance

Severe Disability Benefit and Carer's Allowance	2021 Budget £m	2020 Forecast £m	2019 Actual £m	2018 Actual £m	2017 Actual £m
Expenditure	6.8	6.6	6.3	6.3	5.6

7. Free TV licences

- 7.1. From 1st September 2016, the free TV licence scheme for over 75s was closed to new entrants. The only free TV licences remaining in Guernsey are for those people who reached the age of 75 before 1st September 2016, or those people over pension age who are in receipt of income support.
- 7.2. The Committee is aware of the announcement in the UK, of the BBC's intention that free TV licences will only be available to people over 75 in receipt of a pension credit from 1st August 2020. However, this will not take

effect for Guernsey and Alderney residents until 1st January 2021. The impact of this for Guernsey will be that those who turned 75 before 1st September 2016, who are not in receipt of income support, will no longer be entitled to receive a free TV licence. Those income support claimants between pension age and age 75 would continue to be eligible, as Guernsey bears the cost of TV licences for that latter group. That cost is anticipated to be approximately £20,000 in 2021.

8. Secondary pensions

- 8.1. Following the States approval of the resolutions following the policy letter on the “proposed development of a secondary pensions system for Guernsey and Alderney” in February 2016¹², the Committee has been working on the introduction of a secondary pension scheme. The States approved detailed implementation proposals in February 2020¹³. The Committee is now progressing work to enable the phasing in of the new scheme. The target date remains January 2022, but is dependent on progress, including preparation and approval of legislation.

9. Asbestos compensation scheme

- 9.1. In June 2020, the States approved proposals for a compensation scheme for people with diffuse mesothelioma, which is caused by exposure to asbestos. The scheme will be implemented on an extra-statutory basis initially, from January 2021, following the model for the scheme launched in Jersey in 2019. It is anticipated that the annual cost of the scheme will be approximately £100,000 in Guernsey. Work in relation to the drafting of the legislation to bring the scheme onto a statutory footing has started.

¹² Proposed development of a secondary pensions system for Guernsey and Alderney ([Billet d’État III of 2016, Article XV](#))

¹³ Secondary Pensions: detailed proposals for the introduction of automatic enrolment into private pensions and the establishment of “Your Island Pension” ([Billet d’État IV, Article II](#))

PART IV: FINANCIAL POSITION

10. Non-Contributory Services funded from General Revenue

- 10.1. This policy letter is about the non-contributory benefit rates for 2021, so the financial position reported in this section relates only to Social Security services and benefits funded from General Revenue, and not the additional General Revenue funded services that come under the Committee's mandate.

Summary of Social Security expenditure financed by General Revenue

- 10.2. Table 11 summarises the impact of the proposed benefit rates on expenditure for 2021. This also includes the 2020 revised forecast at the time of writing, and the actual expenditure figures for 2017-2019.

Table 11 – Summary of non-contributory Social Security expenditure financed by General Revenue

	2021 Budget £m	2020 Forecast £m	2019 Actual £m	2018 Actual £m	2017 Actual £m
Income support ¹⁴	47.3	47.0	41.1	31.1	21.7
Family allowance	8.1	8.5	8.5	8.4	8.2
Severe disability benefit & carer's allowance	6.8	6.6	6.3	6.2	5.6
Diffuse mesothelioma	0.1	-	-	-	-
Concessionary TV licence ¹⁵	-	0.1	0.2	0.5	0.6
General Revenue grant to GIF	16.5	16.2	16.7	16.1	15.7
Sub-total formula led expenditure	78.8	78.4	72.8	62.3	51.8
School uniform allowance & educational maintenance grant	0.2	0.2	0.2	0.2	0.1
Administration	2.9	2.8	2.7	2.4	2.4
Others ¹⁶	0.3	0.3	0.3	0.3	0.3
Sub-total non-formula led expenditure	3.4	3.3	3.2	2.9	2.8
Total expenditure	82.2	81.7	76.0	65.2	54.6

¹⁴ Formerly known as the supplementary benefit scheme until July 2018.

¹⁵ From January 2021, free TV licences will only be available to income support claimants over pension age, which is factored into the income support budget. TV licences for income support claimants over 75 will be funded by the BBC.

¹⁶ Others include back to work schemes, charitable grants, and miscellaneous expenditure.

- 10.3. Table 11 includes the actual costs in 2018 of 6 months of supplementary benefit and 6 months of income support, because income support launched on 6th July 2018. The actual costs for the first full year of income support were reported for 2019, and the forecast for 2020 and budget for 2021 both reflect the impact of COVID-19 on expenditure.
- 10.4. The increase in income support expenditure between 2017 and 2019, shown in Table 11, does not account for the increased revenue to the States through the ending of the rent rebate scheme and all social housing rents being charged at the full rate. Income from rents will appear in the budget report for 2021 and is expected to total around £19.1m. As mentioned above, the increase in forecast and budget expenditure for 2020 and 2021 respectively, relates to the additional claims which arose due to COVID-19, and the longer-term impact of the pandemic.

Income support and supplementary benefit expenditure and claim data

- 10.5. 2019 expenditure amounted to £41.1m, and the forecast for 2020 is £47.0m, which is approximately £4.2m over budget. This is due to the significant number of additional claims taken on during lockdown, some of which remain in payment for those who have been unable to return to work, or who still require a top-up as their income is lower than it was prior to the pandemic.
- 10.6. As at 1st August 2020, there were 3,456 active income support claims, as set out in Table 12 overleaf. These claims also support 2,444 dependants, thereby giving a total income support population of 5,900, compared to 5,277 in August 2019.
- 10.7. Expenditure in 2019 was on budget. This was factored into the 2020 budget, however the impact of COVID-19 has led to the 2020 forecast being £4.2m higher than budgeted, due to an additional 1,367 claims being taken during the lockdown period in 2020. The budget for 2021 is £47.3m, which takes into account the proposals in this policy letter, an allowance for the trend of a slow, but upward, increase in claim numbers, and the effects of COVID-19 known at the time of writing.
- 10.8. Income support claimants were previously split into ten classifications by which they could be identified and managed in practice. An amendment to legislation in 2014 removed these classifications, however, in practice, claims are still split into those categories for the purposes of claims management and financial analysis. The classifications are referred to in the analysis of claims and expenditure shown in Table 12 overleaf.

Table 12 – Income support claims and expenditure

Classification	Claims at 1st August 2020	Claims at 3rd August 2019	2021 Budget (£m)	2020 Forecast (£m)	2019 Actual (£m)
Pensioner	893	910	7.4	6.8	6.5
Incapacitated	571	543	7.5	7.6	6.8
Jobseeker or low earner	792	750	13.5	12.2	10.3
Single parent	332	322	8.5	8.3	7.6
Disabled	208	200	2.6	2.5	2.5
Work requirement met	228	267	3.6	3.1	3.2
COVID-19	378	-	-	2.8	-
Other ¹⁷	54	31	0.5	0.4	0.4
Total (no. claims excluding dependants)	3,456	3,023	43.6	43.7	37.3
Special Grants ¹⁸			3.6	3.1	3.4
Rent Rebate Transition			0.1	0.2	0.4
Total			47.3	47.0	41.1

- 10.9. There are individuals in all of the above categories who undertake work, some of whom may have no requirement to work as a condition of benefit. For instance, around 40% of those categorised as single parents are in work. It should be remembered that income support is a benefit designed to ensure a minimum acceptable standard of living, and that many of its recipients are in full or part time work. However this work on its own does not produce sufficient income for their household to enjoy a reasonable standard of living, which is why they receive a top-up from income support.
- 10.10. An additional line has been included in Table 12 to show how many of the claims that were made as a result of the COVID-19 pandemic are still in payment. The highest number of additional claims in payment during lockdown was 1,367, which was in the first week of May 2020. Since lockdown restrictions were eased and people could return to work or find new employment, over 1,000 of those claims have ended.

¹⁷ Includes carer, pregnant, prisoner's spouse, partner in hospital and a small number of claimants whose classification is unknown.

¹⁸ Includes special grants in respect of medical expenses, disability, funeral expenses and other miscellaneous expenses.

PART VI: CONCLUSIONS

11. Compliance with Rule 4 of the Rules of Procedure

- 11.1. Throughout the drafting of this policy letter, the Policy & Resources Committee has been kept informed of the Committee's intentions. The Committee has consulted with the Law Officers regarding the legal implications and legislative drafting requirements resulting from the propositions set out in this policy letter.
- 11.2. The Committee has set out its proposals for the benefit and contribution rates for 2021 throughout this policy letter, and seeks the States support for the propositions, which accord with the Committee's purpose:
- "To foster a compassionate, cohesive and aspirational society in which responsibility is encouraged and individuals and families are supported through schemes of social protection relating to pensions, other contributory and non-contributory benefits, social housing, employment, re-employment and labour market legislation."
- 11.3. In particular, the propositions are aligned with the States objectives and policy plans, including Revive and Thrive: Our Recovery Strategy for Guernsey Together¹⁹, approved by the States in June 2020, in response to the COVID-19 global pandemic.
- 11.4. In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the propositions have the unanimous support of the Committee.

Yours faithfully

P J Roffey
President

H L de Sausmarez
Vice-President

T L Bury
S J Falla
J A B Gollop

¹⁹ Revive and Thrive: Our Recovery Strategy for Guernsey Together ([Billet d'État XIV of 2020, Article I](#))