

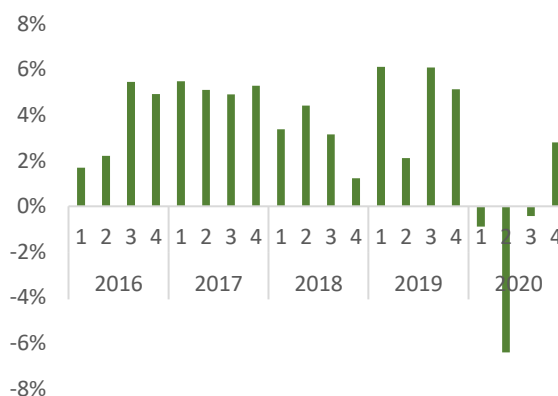
PROVISIONAL FINANCIAL POSITION 2020

This short publication provides an update on the 2020 States' financial position, with the current provisional figures showing a significant improvement on the forecast published within the 2021 budget in November. The numbers presented for 2020 are provisional and subject to audit and validation. The General Revenue financial position has improved by an estimated £32m since the budget forecasts were produced, and this improvement is distributed across income and expenditure.

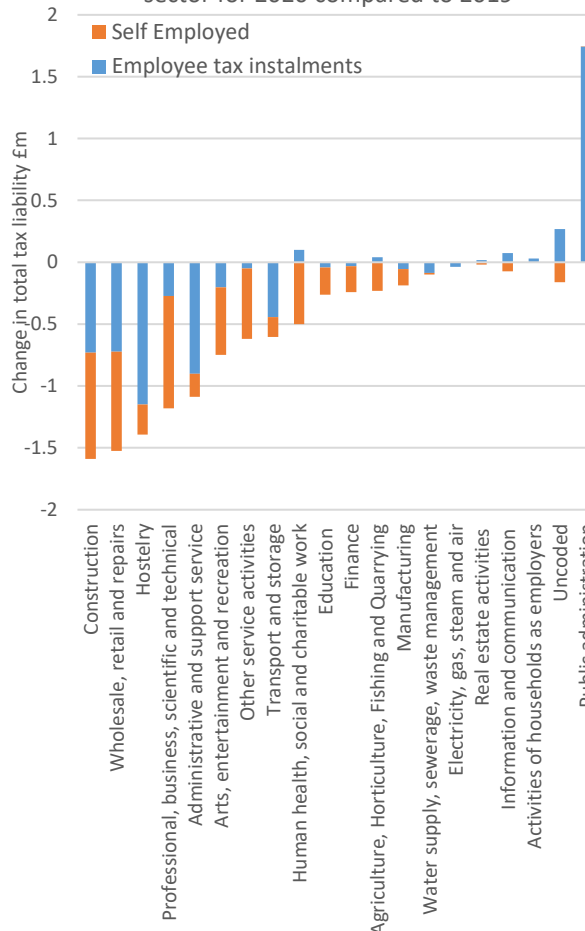
The largest contributing factor to the improvement was a much stronger than forecast fourth quarter in terms of tax receipts for employed individuals, with 12 of the 19 official sectors paying more in wages in the fourth quarter of 2020 than the same period in 2019¹.

An exceptionally strong housing market and larger than anticipated customs duty receipts also contributed positively. As a result, total revenues for 2020 are now expected to be just £7m short of budget. This reflects positively on the resilience of the local economy and its potential for recovery.

Change in quarterly Employee Tax Instalment receipts versus previous year



Estimated change in individuals tax due by sector for 2020 compared to 2019



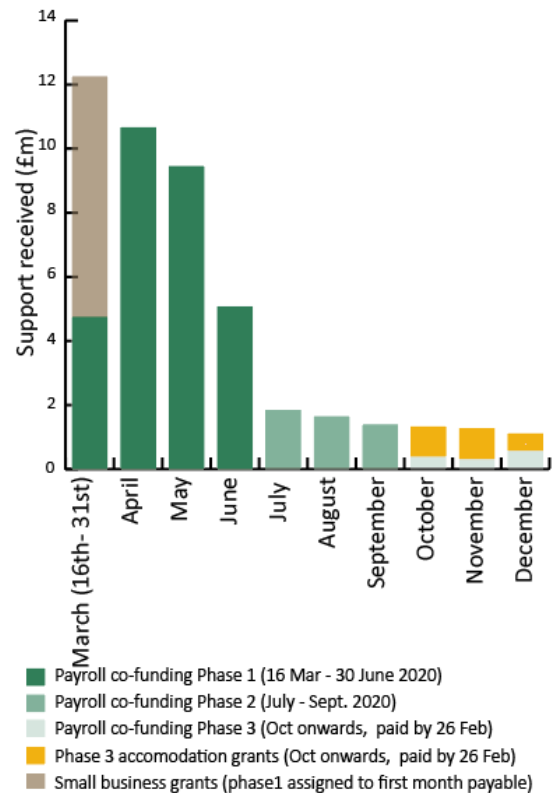
¹ Pay awards to public sector staff in the second quarter of 2020 include a significant amount of back pay remitted to nursing and other Agenda for Change staff for in relation to pay awards for 2019 and 2020 (5% increase from 1 January 2019 and a further 5% increase from 1 September 2019). This is reflected in the increased tax receipts from Public Administration for 2020.

However, 2020 was still an exceptionally difficult year. The General Revenue budget shows a provisional deficit, before capital spending of an estimated £27m, with reductions in tax contributions from most sectors of the economy across the year as a whole.

More than £50m of unbudgeted expenditure was incurred on business support payments during 2020 and the Committee for Health & Social Care incurred additional costs of £3m as a result of the COVID-19 pandemic. This additional spend has been partially offset by reduced expenditure elsewhere because of the limitations placed on normal operational activity, including the deferral of non-urgent surgical procedures. However, many of these savings were a direct result of COVID-19 and will not continue once services return to normal.

In 2019, £63m of the £67m operating surplus was transferred to the States capital reserve, setting aside money to provide essential development of the Island infrastructure. The financial pressures caused by COVID-19 during 2020 and the resulting deficit mean that nothing was set aside for capital investment in 2020.

Business support paid by month



General Revenue

		2018	2019	Provisional 2020 ²	Variance to 2020 Budget	Variance to 2020 Forecast
Revenue Income	Individuals and self employed	261	277	267		
	Companies and distributions	72	72	61		
	Subtotal Income Taxes	333	349	328	(20)	15
	Excise & Import Duties	44	45	51		
	TRP	23	25	29		
	Document Duty	17	18	23		
	Subtotal Other Taxes	85	88	103	10	4
	Other income	38	39	39	3	4
	Revenue Income	456	477	470	(7)	23
Net Committee Expenditure ³	Policy & Resources - Core	(9)	(8)	(9)		
	Economic Development	(6)	(6)	(6)		
	Education, Sport & Culture	(77)	(80)	(81)		
	Employment & Social Security	(76)	(87)	(91)		
	Environment & Infrastructure	(12)	(12)	(12)		
	Health & Social Care	(118)	(129)	(134)		
	Home Affairs	(32)	(32)	(32)		
	Corporate Services	(30)	(34)	(44)		
	Other Committee Expenditure	(19)	(21)	(16)		
	Total Net Committee Expenditure	(379)	(409)	(425)	8	8
	Business & Personal support	-	-	(51)	(51)	1
	Provision for Aurigny loss⁴	(8)	(10)	(24)	(17)	-
	Total Net Revenue Expenditure	(387)	(419)	(500)	(60)	9
	Transfer from General Reserve⁵			3		
	Surplus/Deficit before Capital	69	67	(27)	(67)	32

² All figures for 2020 are provisional and subject to validation and audit. Final accounting totals may differ from those presented.

³ Expenditure figures are presented net of income derived from operational activities to align with budgeting approach

⁴ Work is ongoing by Aurigny to determine the extent to which it may need to impair the value of its aircraft assets.

⁵ The Transfer from the General Reserve is to fund the yet to be delivered balance of budget reductions for the Committees for Education, Sport & Culture and Home Affairs.

Social Security Contributions and Fund Expenditure

The Social Security Funds support the majority of the non-means tested benefits in Guernsey including £130m a year in States' Pensions and £20m a year in subsidies on long term residential and nursing care placements. While the expenditure of these funds has continued uninterrupted, Social Security contributions for 2020 were £8m less than budgeted. Whilst, like General Revenue, this position is better than projected at the time of the budget, the lost revenue has increased the existing operating deficit of the funds.

	2018	2019	Provisional 2020	Variance to 2020 Budget
Contributions	179	184	180	(8)
States Grant	16	17	16	(1)
Total Fund Income	195	201	196	(9)
Fund Expenditure	(213)	(221)	(229)	(1)
Operating Surplus/(Deficit)	(18)	(20)	(33)	(10)

Note: The above table does not include investment income.

States' Trading Entities

In respect of the States' Trading Entities the travel restrictions have negatively impacted the operating positions of the Harbours and Airport. The other trading entities have performed broadly in line with their original budgets.

	2018	2019	Provisional 2020	Variance to 2020 Budget
Guernsey Ports	1	1	(11)	(10)
Guernsey Dairy	0	0	0	0
Guernsey Water	0	(1)	0	0
States Works	1	1	1	0
Guernsey Waste	0	(3)	(3)	0

Net Surplus/
(Deficit)