



XXI
2021

BILLET D'ÉTAT

TUESDAY, 2nd NOVEMBER, 2021

BUSINESS OF THE MEETING

1. Policy & Resources Committee - The States of Guernsey Annual Budget for 2022, P.2021/116
2. Committee *for* Employment & Social Security - Non-contributory benefit rates for 2022, P.2021/117

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 **2nd November, 2021** 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

5th October, 2021

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ANNUAL BUDGET FOR 2022

The States are asked to decide:-

Whether, after consideration of the States of Guernsey Annual Budget for 2022, they are of the opinion:-

1. To immediately transfer the sum of £5million from General Revenue to Guernsey Ports and authorise the Policy & Resources Committee to make a further transfer equivalent to the balance of its short-term loan facility as at 31 December 2021.
2. To agree that the annual tax-free lump sum limit for a pension scheme is set at £203,000 for 2022.
3. To amend the following provisions of the Income Tax (Guernsey) Law, 1975, as amended-
 - (a) Section 73(1)(a), to provide that an interim assessment of a person's income in respect of a year of charge may, for the year of charge 2023 and subsequent years, be made prior to the commencement of that year; and
 - (b) Section 81(1), to provide that the dates of the instalments by which tax is paid shall, in the year of charge 2023 and subsequent years, fall at the end of each calendar quarter rather than on the 30th June and 31st December.
4. 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 2022 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 2022

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

<u>NATURE OF ALLOWANCE</u>	<u>AMOUNT OF ALLOWANCE</u>
1. Personal Allowance ^{*^}	Tax at the standard rate on £12,175.
2. Dependent Relative Allowance [*]	<p>In respect of each dependent relative - tax at the standard rate on £3,950 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 £8,225 the allowance shall be reduced to tax at the standard rate on such sum as remains after subtracting from £3,950 the sum of £1 for every pound by which the dependent relative's income exceeds £8,225.</p>
3. Infirm Person's Allowance [*]	Tax at the standard rate on £3,950
4. Housekeeper Allowance	Tax at the standard rate on £3,950
5. Charge of Children Allowance [*]	Tax at the standard rate on £8,275
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.

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).

Provided also that, for the purposes of subparagraph (a), an individual ("X") shall be deemed to be in receipt of a Family Allowance in respect of a child in a year of charge –

(aa) only if X has made a claim for such an Allowance, and it is being paid to X in X's name, or

(bb) where X is an individual to whom the preceding proviso applies, only if such an Allowance would, but for X's income, be paid to X in X's name.

(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).

Provided also that, for the purposes of subparagraph (a), an individual ("Y") shall be deemed to be in receipt of a Family Allowance in respect of a child in a year of charge –

- (aa) only if Y has made a claim for such an Allowance, and it is being paid to Y in Y's name, or

- (bb) where Y is an individual to whom the preceding proviso applies, only if such an Allowance would, but for Y's income, be paid to Y in Y's name (but without prejudice to the application of condition B of the preceding proviso).

- (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.

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 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.

5. To approve the draft Ordinance entitled "The Excise Duties (Budget) Ordinance, 2021" and to direct that the same shall have effect as an Ordinance of the States.
6. To approve the draft Ordinance entitled "The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2021" and to direct that the same shall have effect as an Ordinance of the States.
7. To approve ordinary revenue expenditure for 2022 totalling £526.7million as set out in the table in paragraph 3.5 of this Report and the revenue expenditure budgets on pages 64 to 86;

8. 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 until such time as these arrangements are changed as part of the ongoing work to strengthen the relationship between Guernsey and Alderney.
9. 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 per annum.
10. To approve the following Budgets for the year 2022:
 - (a) Ports
 - (b) Guernsey Water
 - (c) Guernsey Waste
 - (d) States Works
 - (e) Guernsey Dairy
 - (f) Guernsey Registry
 - (g) Superannuation Fund Administration
 - (h) Committee *for* Employment & Social Security – Contributory Funds.

Compliance with Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees.

In accordance with Rule 4(1)(a), the Propositions contribute to delivery of the Government Work Plan 2021-2025 by including proposals to generate a real-terms increase in revenues of £1million and to allocate funding for delivery of the four priorities of the Government Work Plan framework.

In accordance with Rule 4(1)(b), other States Committees have been consulted to establish and discuss their funding requirements in preparation of the revenue expenditure proposals.

In accordance with Rule 4(1)(c), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

In accordance with Rule 4(2)(a), the Propositions relate to the Committee's responsibilities for *"fiscal policy, economic affairs and the financial and other resources of the States which includes: preparing the States' budget and submitting it to the States annually"*.

In accordance with Rule 4(2)(b), it is confirmed that the Propositions are supported unanimously by the Policy & Resources Committee.

P T R Ferbrache
President

H J R Soulsby MBE
Vice-President

M A J Helyar
J P Le Tocq
D J Mahoney

FOREWORD

In late 2020, the 2021 Budget was prepared which estimated a full year deficit of £22million. This estimate worsened significantly to £33million following the second lockdown. As a result of substantial improvements in actual results against forecast, the 2021 Probable Outturn is for a deficit of £5million.

The income forecast exceeds budget by £46million, largely as a result of significant improvement in performance in three areas:

- Income Tax, where the expected post-pandemic recovery has occurred earlier and faster than anticipated;
- Customs Duties, largely due to the reduced access to duty-free products; and
- Document duty due to the housing market being particularly buoyant with both the volume and value of conveyances being ahead of expectations.

Overall expenditure is projected to be £15million higher than budgeted. However, this is after payment of £25million of business support during the second lockdown and the rest of 2021. Committee expenditure is expected to be £11million lower than budget due to a combination of delays in introduction of service developments; COVID-19 specific expenditure provision not being fully required; and the Budget Reserve not being fully drawn down. This is offset by £6million of anticipated savings not being delivered in-year.

The provision for Aurigny's loss has increased slightly from £14million to £16million as a result of the impact of lockdowns in Guernsey and the United Kingdom and an allowance of £12million has been made for writing-off the short-term loan that was provided to Guernsey Ports to enable it to meet its operational cash requirements.

In summary, accelerated recovery and increased revenues in 2021 have absorbed £15million of unanticipated expenditure, funded the increased Aurigny loss and Ports loss at the same time as reducing the deficit by £17million against estimates, which is a very positive result.

Whilst this improved position is welcome, it does not fully translate to an ongoing improvement in the baseline position. The exceptional circumstances experienced in 2021 are not expected to continue and accumulating cost pressures are likely to place pressure on budgets as service demands increase. This includes, for example, addressing the waiting list for health treatments which has increased significantly as a result of the lockdowns and other pandemic related measures and, as yet unquantified, costs for 'living with COVID'. However, modelling indicates that there may be a £5-10million improvement in the forecast 2025 baseline position compared to that included in the Funding & Investment Plan.

The Funding & Investment Plan is an integral part of the Government Work Plan 2021-2025 which was approved by the States in July 2021 and sets out the financial planning framework for this five-year term of government within which the States will operate. In respect of 2022, this Budget Report has been prepared in accordance with the direction set out in the Funding & Investment Plan with specific proposals to generate an additional real-terms increase in revenues of £1million per annum along with significant funding for delivery of the four Government Work Plan priorities.

FOREWORD

The overall position for 2022 is forecast to be a return to a surplus, estimated at £22million, which is an improvement of £14million compared to the estimate included within the Funding & Investment Plan^a. This improvement is predominantly due to the strong post-pandemic recovery occurring earlier and faster than anticipated, resulting in higher revenues.

Whilst it is pleasing that a surplus is being recorded, it is not sufficient to fund the amount necessary to meet Principle 6 of the Fiscal Policy Framework: *“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.”* This would necessitate capital expenditure of £50-70million per annum, resulting in a deficit of £30-50million.

P T R Ferbrache
President

H J R Soulsby MBE
Vice-President

M A J Helyar
J P Le Tocq
D J Mahoney

^a Updated to include inflation and reflect the States’ decision on implementation of NICE TAs.

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2022 BUDGET REPORT

Section 1: Overview

Economic Context

- 1.1 As the effects of the COVID-19 pandemic recede, its economic and financial implications are becoming clearer. As a result of the successful management of the pandemic and an unexpectedly strong recovery, these impacts have, at each stage, proved to be less severe than forecast.
- 1.2 When the 2021 budget was prepared, the contraction in Gross Value Added (GVA)^a in 2020 was estimated at between 6% and 8%. This forecast had reduced to 3% to 5% following the receipt of data for the final quarter and, while official statistics are still being compiled, the current expectation is that the first estimates of GVA for 2020 will show an even smaller contraction. Guernsey ended 2020 in a far better position than had been forecast in the early stages of the pandemic and in a more favourable position than most European countries.
- 1.3 Despite the second period of lockdown which began in January 2021, all evidence suggests that the recovery which started in 2020 has continued apace in 2021. The second lockdown was less damaging than the first, with a lower peak in unemployment, fewer claims for income support and less expenditure on business support schemes.
- 1.4 By the end of August 2021, unemployment had fallen to 1.3% (compared to 2.3% in August 2020 and 1% in August 2019) with the primary challenge for Guernsey's labour market in some sectors being a lack of workers, not a lack of work. Despite 58 days of lockdown in the first quarter of 2021, the Employee Tax Instalment (ETI) receipts for the first half of the year compare favourably with 2019, even after accounting for the impact of inflation.
- 1.5 The housing market continues to experience exceptionally high levels of demand pushing both purchase and rental prices upwards. This strong housing market, with a combination of increased prices and a high volume of conveyances, has resulted in estimated document duty receipts far exceeding expectations, being 20% higher than 2020 and 50% higher than 2019.
- 1.6 However, the news is not all positive and the States continues to provide support to a small number of businesses in the visitor accommodation and attractions sector and this is set to continue until March 2022. This sector, which is heavily reliant on imported labour, has also been severely impacted by the changes that the visa requirements for EU nationals working within the UK Common Travel Area following Brexit has had on the recruitment of staff from outside of the island. A substantial level of government financial support has been required by the Ports and Aurigny due to the impact of the travel restrictions on passenger numbers. In addition, there is pent up demand for various public services which it is expected will place pressure on budgets in the coming years.

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

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- 1.7 Looking towards 2022, the strength of recovery is now well established, placing Guernsey in a better position than could have been anticipated twelve months ago. The local economy is mature and already highly specialised in high-value activities which means that the workforce is already more productive than most other jurisdictions. This workforce, which is already under pressure as the population ages, operates at levels of unemployment which are low by international standards with high participation rates. Guernsey's current economic position is enviable, but it means that economic gains are harder to achieve. Current forecasts suggest real growth in GVA of between 2 and 5% in 2021, which would recover all the expected retraction in 2020.
- 1.8 However, there are, as always, economic risks to consider. Guernsey's economy is exposed to external factors over which we have very limited control and States' finances are extremely susceptible to the ups and downs of the wider economic environment.
- 1.9 The pressures on global supply chains and both local and national recruitment issues may place upward pressure on price and wage inflation through the latter half of 2021. This budget is compiled on the assumption that the rate of inflation (as measured by the annual change in RPIX) will increase during the latter part of 2021, likely to exceed 3%, but that supply issues will recede in 2022 and RPIX will fall to a forecast 2.5%.
- 1.10 The strength of recovery in the housing market (a phenomenon which has been seen in many jurisdictions and appears not to be related to growth in the population at a rate significantly above what is normal for Guernsey) has resulted in a fall in affordability. This may become a limiting factor in efforts to promote economic growth, albeit workstreams are underway to address this issue.
- 1.11 Corporate income tax is once again under scrutiny. Guernsey, along with 133 other jurisdictions, has reached agreement on the OECDs proposals to reform the international tax framework. These proposals will ensure that the largest multinational enterprises pay a minimum effective tax rate on their profits. Technical discussions are continuing, meaning there is not enough certainty yet about how the rules will apply in practice. It is expected that this will bring in some additional revenues but its level and timing is still uncertain.

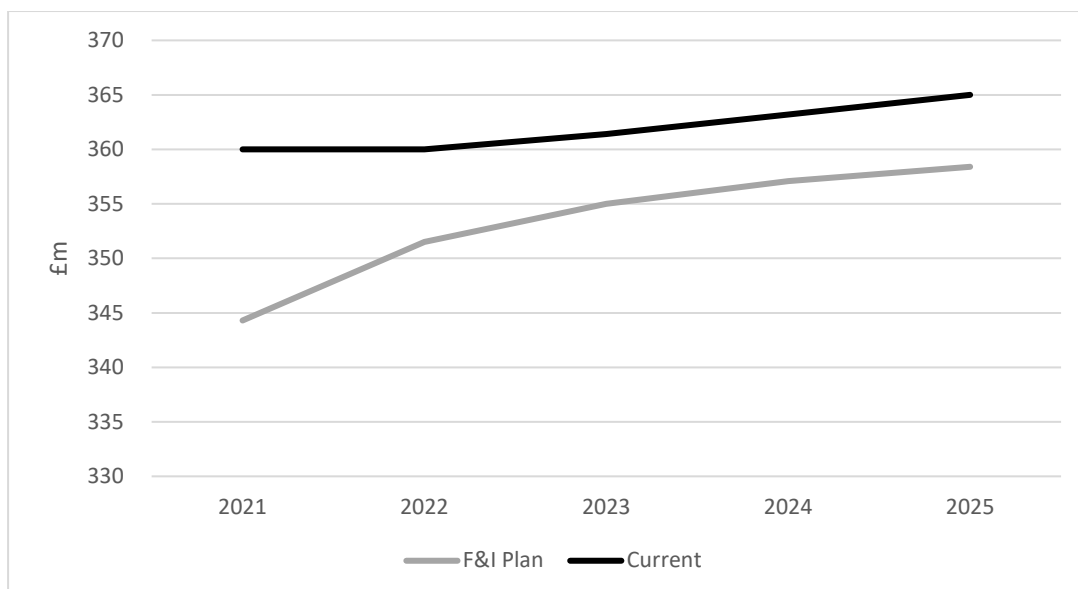
Government Work Plan

- 1.12 The Funding & Investment Plan is an integral part of the Government Work Plan 2021-2025 (Billet d'État XV) setting out the financial planning framework for this term of government within which the States will operate and resource. As well as setting out the baseline expenditure^b, it includes the financial impacts of all work prioritised as part of the Government Work Plan in order to deliver on the four main priorities of government: responding to the COVID-19 pandemic; managing the effects of Brexit and meeting international standards; delivering recovery actions; and re-shaping government.

^b Assumes current services continue as they are, adjusted for projected changes in demand, and includes the financial effect of service developments and policy decisions approved by the States and planned for implementation during the period.

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- 1.13 The Funding & Investment Plan has not replaced the annual budgeting cycle through which any revenue raising measures are proposed and budgets are allocated to Committees.
- 1.14 The costs incurred as a result of the management of COVID-19 are significant, but they are also largely one-off and it is expected that the States' General Revenue position will return to a revenue surplus in 2022. However, the significant longer-term fiscal issues remain: the need to support health and care services for a larger number of older people; the need for ongoing and sustainable investment in infrastructure; and the vulnerability of the income reliant tax base to a potential decline in the workforce as a result of the changing demographics.
- 1.15 A significant proportion of this pressure is on the cost of delivering existing services to an increasing number of people as a result of the ageing of the population. These pressures are not new or unique to Guernsey and most developed jurisdictions are or will face similar pressures as their populations age. The Tax Review policy letter (Billet d'État XIX, 2021), details these issues and sets out options for funding them in the longer-term.
- 1.16 The revenues projected for 2021 and 2022 are significantly better than those included in the Funding & Investment Plan. However, it is not expected that the full value of this improvement will persist and become part of the baseline. The exceptional circumstances experienced in 2021 are considered to be temporary, particularly in relation to the high levels of document duty receipts because of the exceptionally strong housing market; and customs duties which have benefitted from reduced access to duty free products as a result of travel restrictions.
- 1.17 The projections in the Funding & Investment Plan relating to income tax receipts assumed a more gradual recovery than has occurred. As a result, whilst income tax receipts are significantly higher in 2021 than anticipated, they are expected to grow considerably slower through 2022 and 2023. However, as depicted in the graph below, modelling indicates that there may be a £5-10million improvement in the forecast 2025 baseline position compared to that included in the Funding & Investment Plan.



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1.18 The resolutions of the Government Work Plan 2021-2025 included:

“To direct the Policy & Resources Committee to include proposals in the annual Budget Report for each of the years 2022, 2023, 2024 and 2025 to generate an additional real-terms increase in revenues each of these years of £1million per annum.”

1.19 Therefore, in order to generate a real-terms increase in revenues of £1million per annum, the Policy & Resources Committee is proposing (Section 2) that the excise duties on Alcohol and Motor Fuel; and Tax on Real Property (TRP) tariffs for 2022 are increased by 4% which comprises 2.5% as the amount necessary to maintain their value in real-terms, and 1.5% to raise additional revenues:

- An increase of 4% in the excise duty on Alcohol, increasing the duty on a pint of standard-strength beer by 2p to 52p (26p if produced by a small independent brewery) (raising £250,000 in real-terms);
- An increase of 4% in the excise duty on Motor Fuel, increasing the duty by 2.9p per litre to 76.3p per litre (66.3p per litre for biodiesel) (raising £300,000 in real-terms);
- An increase of 4% in commercial TRP tariffs (raising £300,000 in real-terms); and
- An increase of 4% in domestic TRP tariffs (raising £150,000 in real-terms).

1.20 The other budget measures proposed are:

- A 2.5% increase in Personal Income Tax Allowances, increasing an individual's allowance by £300 to £12,175;
- An increase of 7.5% in the excise duty on Tobacco products, increasing the duty on an average packet of twenty cigarettes by 44p to £6.26; and
- 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 23% - £6.25 per unit.

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Overall Financial Position

1.21 The following table summarises the overall position for 2021 and 2022:

	2022 Budget Estimate £m	2021 Probable Outturn £m	2021 Budget Estimate £m	2020 Actual £m
Revenue Income				
Income Tax	368	360	334	329
Other Taxes	99	105	92	104
Social Security Contributions	30	-	-	-
Miscellaneous Income	50	42	35	41
Revenue Income	547	507	461	474
Revenue Expenditure				
Cash Limits	(492)	(435)	(432)	
Budget Reserve	(12)	(14)	(18)	
COVID-19 specific provision	(6)	(8)	(12)	
GWP / Service Developments	(18)	(4)	(10)	
Savings to be delivered	3	1	7	
Committee Expenditure	(525)	(460)	(465)	(426)
Business Support Measures	(2)	(25)	(5)	(51)
Revenue Expenditure	(527)	(485)	(470)	(477)
Revenue Surplus / (Deficit)	20	22	(9)	(3)
Capital Income—sale of property	3	1	1 ^c	-
Operating Surplus / (Deficit)	23	23	(8)	
Provision for Aurigny loss	(1)	(16)	(14)	(35)
Provision for Ports overdraft	-	(12)	-	(5)
Surplus / (Deficit)	22	(5)	(22)	(44)
UNINCORPORATED TRADING ASSETS				
(Loss)	(8)	(15)	(12)	(13)

1.22 Overall, the estimated surplus for 2022 is a £14million improvement on the forecast (adjusted) included in the Funding & Investment Plan. This comprises a £20million improvement in income and a £6million increase in expenditure. However, as set out in paragraphs 1.16-1.17, the majority of the income improvement is expected to be temporary. In respect of expenditure, the COVID-19 specific provision within the 2022 budget is £3.4million higher than that included in the Funding & Investment Plan. In addition, as a result of the restructuring of Reserves and Funds, £3.2million of non-recurring budget has been allocated to fund the MYGOV transformation programme (paragraph 3.7).

^c Prior to the restructuring of Reserves and Funds which was approved following consideration of the 2021 Budget Report, this income would have been transferred to the Capital Reserve.

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Revenue Income

- 1.23 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 tax liability assessed and 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 was exacerbated in the COVID-19 pandemic period where assumptions had to be incorporated regarding economic recovery and its impact on income tax receipts.

2021 Revenue Income

- 1.24 Overall, the probable outturn for revenue income is £46million higher than budgeted.
- 1.25 The probable outturn for income tax receipts is £26million higher than the budget estimate. This is largely from receipts from individuals where ETI is £18million (8.3%) favourable compared to budget and an increase of nearly 10% on the 2020 outturn; and other receipts from individuals is forecast to be £million (6.9%) in excess of budget.
- 1.26 It is considered that this significant growth in income tax receipts is mainly due to the expected post-pandemic recovery occurring earlier and faster than anticipated and that the economy will return to its longer-term average growth path sooner. Therefore, whilst this welcome additional income in 2021 is available to offset the cost of additional business support measures put in place as a result of the second lockdown, it will largely not translate into a commensurate increase in the underlying baseline position in subsequent years.
- 1.27 As set out in Section 2, the Other Taxes income is expected to be higher than the 2021 budget due to the exceptional level of document duty receipts received (increase of £8million) and a £5.9million net increase in excise duty receipts, largely as the effect of reduced access to duty free products (paragraph 2.19).

2022 Revenue Income

- 1.28 The income tax receipts budget for 2022 includes an allowance for inflation and growth totalling 2.5%. This estimate recognises the constraints currently being experienced in the labour market and the anticipated time-lag between inflationary pressures and wage increases. Overall, compared to the underlying pre-pandemic position in 2019, income tax receipts in 2022 are expected to increase by £16million (4.7%).
- 1.29 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,

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with effect from 2022, the contributions currently directed towards the Guernsey Health Service Fund will be credited to General Revenue. This is expected to have the overall effect of increasing General Revenue income by £29.6million and increasing General Revenue expenditure by net £37.2million. The shortfall (£7.6million in 2022) is a cost pressure on the General Revenue baseline which was previously met from the Guernsey Health Service Fund.

Revenue Expenditure

2021 – Committee expenditure

- 1.30 Appendix II details the anticipated 2021 Probable Outturn for each Committee compared with budget.
- 1.31 Overall, Committee expenditure is anticipated to be £5million below Original Budget / £14million below Authorised Budget^d. This is due to a combination of delays in introduction of service developments (£5.8million); the full provision for COVID-19 specific expenditure not being required (£4.1million); Budget Reserve not being required (£4.3million, largely due to the full provision for pay awards not being utilised); a collective net underspend by individual Committees of £5.5million; offset by £5.7million of anticipated savings not being delivered.
- 1.32 In respect of COVID-19 expenditure, the 2021 budget included specific provision of £12million for funding additional costs or reductions in operating income incurred by Committees as a result of the COVID-19 pandemic. The Committee for Health & Social Care has been allocated £7.5million from this provision in order to fund:
- Undertaking a mass vaccination programme (£2.3million);
 - Travel resumption testing (£2million); and
 - On-island testing (£3.2million).
- 1.33 There is anticipated to be approximately £1.5million of other additional costs incurred across multiple Committees in 2021 as a result of COVID-19 but it is anticipated that these will largely be absorbed within existing budgets as they are offset by reduced expenditure including as a result of the limitations placed on normal operational activity.

2022 – Committee expenditure

- 1.34 The total revenue expenditure budget proposed for 2022 is £525million, an increase of £60million compared to the 2021 budget; of which net £37.2million relates to the change in arrangements for health service funding.
- 1.35 There is additional provision (either within recommended Cash Limits or held in reserve) of £22million for service developments agreed in previous years but not yet

^d Since the approval of the Original Budget, the restructuring of Reserves and Funds has increased the overall 2021 total Committee Authorised Budget by £9.1million.

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implemented and delivery of Government Work Plan initiatives. Section 3 sets out full details of Committee expenditure budget proposals.

Business Support Measures

- 1.36 It is anticipated that £25million of business support expenditure will be incurred during 2021. This is made up of £12million in payroll co-funding; £11million in sector specific grants for visitor accommodation, visitor attractions and other travel related business; and £2million in grants to small businesses.
- 1.37 It is estimated that £2million of sector specific grants will be made in the early part of 2022. No further allowance is being made for the continuation of business support in 2022.

Capital Income

- 1.38 It is estimated that a number of properties will be sold as part of the rationalisation of the States' estate and the budget includes an allowance for £1million of sale proceeds in 2021 and £3million in 2022.

Provision for Aurigny Loss

- 1.39 In preparing the financial forecasts for Aurigny for inclusion within the States' 2021 Budget Report, the following assumptions were agreed with the airline:
- By the start of 2021, a testing on arrival scheme would still be in place, but there would be no requirement to self-isolate upon receipt of a negative test result;
 - There would be no further lockdowns during 2021; and
 - A fuller flying programme would be introduced with effect from 1st January, with services and frequencies being built up over the course of the year, but with passenger numbers likely to be 30%-40% lower than 2019.
- 1.40 The 2021 Budget Report acknowledged that there was a considerable risk to Aurigny's forecasts, as there was significant uncertainty around many of the underlying assumptions that were outside of its control. However, there were additional lockdowns in both the Bailiwick and the UK during 2021, together with ongoing restrictions on travel.
- 1.41 As a result, Aurigny has updated its forecasts for 2021. Its original forecast was for a loss of £14million on its UK services, noting that the Alderney routes are now funded through the PSO arrangements. As a result of the delay in returning to a fuller flying programme, it is now forecasting a loss of £16.1million in 2021.
- 1.42 As set out in the policy letter entitled "*The Aurigny Group – Financial Sustainability*" (Billet d'État XX, 2021), the current position is that the company's forecast for its losses for 2022 is £1.4million. Aurigny's projections are based on a number of modelling

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assumptions in areas outside of the airline's control which are very difficult to predict in the pandemic environment, including:

- COVID related travel restrictions and self-isolation requirements in Guernsey, the UK and further afield;
- the speed of recovery in passenger demand, notably in the business sector, and the load factors and revenue yields that will be achievable;
- The prevailing competitive environment in both the air and sea markets, together with the associated air route licensing and quasi-open skies arrangements; and
- Jet fuel prices and foreign exchange rates (noting that fuel is purchased in US dollars).

Unincorporated Trading Assets

1.43 The following table details the forecast net profit / (loss) for each of the unincorporated trading assets:

	2022 Budget Estimate £'000	2021 Forecast £'000	2021 Budget Estimate £'000	2020 Actual £'000
Ports	(4,748)	(12,230)	(7,399)	(10,687)
Guernsey Waste	(3,276)	(3,012)	(3,819)	(2,963)
Guernsey Dairy	(181)	(341)	(675)	(194)
Guernsey Water	(545)	(290)	(1,217)	(329)
States Works	649	701	711	682
Total Profit / (Loss)	(8,101)	(15,172)	(12,399)	(13,491)

1.44 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 losses 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.

1.45 The COVID-19 pandemic has had a severe impact on the trading results of some 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.

1.46 The Funding & Investment Plan included *"The COVID-19 pandemic has also had a severe impact on the trading results of Guernsey Ports which have experienced a significant reduction in passenger numbers as a result of travel restrictions. This resulted in the Ports utilising short-term loan facilities of £5.3m in 2020 and a further*

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£7.2m is forecast for 2021. A provision has been made for writing off these amounts in the General Revenue baseline."

- 1.47 Since the number of travellers in 2021 has been lower than anticipated at the time of preparation of the Funding & Investment Plan, the short-term loan requirement has increased to £17.5million (comprising £5.0million^e in 2020 and a further £12.5million in 2021). Therefore, as Guernsey Ports is unable to meet its operational cash requirements in 2020 and 2021 from its reserves, **it is recommended that the sum of £5.0million be immediately transferred from General Revenue to Guernsey Ports and to authorise the Policy & Resources Committee to make a further transfer equivalent to the balance of its short-term loan facility as at 31 December 2021.**
- 1.48 The Policy & Resources Committee has agreed to make a loan facility of £4.5million available to Guernsey Ports in 2022. This is a short-term measure whilst the scale and impact of recovery from COVID-19 becomes more certain and appropriate measures considered to increase revenues or reduce costs in the light of the ongoing activity levels. It will then be possible to determine the size of any underlying structural deficit in the Ports financial position or whether it can generate sufficient profits to repay the loan facility needed to support the 2022 loss.
- 1.49 The Waste Strategy financial model is based on breaking even over its twenty-year timeframe and decreasing volumes of general waste are forecast over the medium term. However, due to the increase in recycling and a greater than forecast decrease in general waste as a result of the combined success of the new household waste and recycling collections introduced in 2018, losses are forecast for 2021 and 2022. The Policy & Resources Committee has agreed to make a loan facility of £5.6million available to Guernsey Waste in 2022 (2021: £4.7million).
- 1.50 The States' Trading Supervisory Board has advised that it has been conducting a comprehensive review of the operational and financial performance of Guernsey Waste considering the first two years' activity and anticipated developments in recyclable waste streams and waste management practice. It intends to submit a policy letter for consideration in early 2022 which, inter alia, will propose the long-term pricing strategy for Guernsey Waste.
- 1.51 The Policy & Resources Committee has provided a short-term loan facility of up to £1.2million to the Guernsey Dairy, to fund its urgent short-term capital expenditure requirement whilst the Future Guernsey Dairy project is progressed. The policy letter on the Future Guernsey Dairy project (Billet d'État XIII, 2020) set out that investment by the taxpayer in a new facility would allow significant efficiencies to be made in the operation of the dairy, which would enable it to return to a profitable position.
- 1.52 Although Guernsey Water is forecasting a loss in 2021 and 2022, it is able to fund these from its retained reserves.

^e The Ports 2020 overdraft utilisation was recalculated in the period between preparation of the Funding & Investment Plan and finalisation of the 2020 Accounts.

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Opportunities and Risks to 2022 Financial Position

- 1.53 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, variations to budget have been greater than previously experienced.
- 1.54 There are opportunities for the financial position to improve in 2022 if income tax receipts continue to grow in excess of that assumed in the forecast. A small change to ETI can have a significant impact with 1% of growth equating to £2.4million. Equally, should the global economic headwinds impact employment in Guernsey there is a downside risk to income.
- 1.55 The budget estimates also prudently assume that the housing market activity returns to a more normal level from the exceptional level being experienced in 2021. This sees the estimate for 2022 at £22million versus a forecast outturn for 2021 of £27.5million. Should prices and or volumes of transactions continue at current pace then document duty receipts could once again be significantly higher in 2022.
- 1.56 There are a number of specific and material risks to the 2022 financial position including:
- Increased COVID-19 related expenditure in excess of the budgetary provision made, either one-off or, as yet unquantified, costs for 'living with COVID';
 - A further period of lock-down resulting in further loss of revenues and additional business support costs;
 - The Aurigny and Ports budgets are prepared on assumptions relating to the resumption of travel. If these are not borne out in practice, the losses could be significantly higher than budgeted;
 - The unincorporated trading entities incurring further losses which they cannot fund from retained reserves or through a borrowing facility and thus seeking additional support from General Revenue; and
 - Global supply issues persisting longer than anticipated resulting in higher level of inflation than forecast.
- 1.57 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 2: Income Proposals

Personal Income Tax

2022 Personal Income Tax Allowances

2.1 **It is recommended that an individual's personal allowance is increased by £300 (2.5%) to £12,175.** This is in line with 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.

2.2 The personal allowance is recommended to be as follows:

	<u>2022</u>	<u>2021</u>
Personal Allowance	£12,175	£11,875

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

2.3 **The supplementary personal income tax allowances are recommended to increase by 2.5% and be as follows^{fg}**

	<u>2022</u>	<u>2021</u>
Dependent relative	£3,950	£3,850
Housekeeper	£3,950	£3,850
Infirm Persons	£3,950	£3,850
Charge of Children	£8,275	£8,075

Tax-free element of lump sums from pension schemes

2.4 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 2022 limit is maintained at the 2021 limit of £203,000** [Proposition 2].

Aligning Income Tax and Social Insurance contributions processes

2.5 As part of the ongoing transformation work in the Revenue Service to fully integrate the collection of income tax and social insurance contributions, the Policy & Resources Committee is proposing changes to the income tax law to enable alignment of processes with the aim of improving the customer journey.

2.6 These changes are focussed on how revenues are collected from customers where tax on the income is not deducted at source, for example business income, property

^f 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.

^g 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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income or the States Pension. For these customers, there are different payment dates (as contributions are payable quarterly and tax biannually) which result in communications about the respective liabilities at different times. There is also a restriction within the income tax law that means notification of such a liability cannot take place until in-year, reducing the time available for customers to spread payments throughout the year.

- 2.7 **The Committee is therefore proposing that the income tax law is amended to enable the issue of an interim tax assessment prior to the start of the calendar year it relates to, with payment of that tax due quarterly.** It is anticipated that this will make it easier for customers to understand what they are required to pay and when, with greater options available to spread payments out.

Excise Duties

Alcohol

- 2.8 The *“Combined Substance Use Strategy for Guernsey and Alderney 2021 – 2026 (Drugs, Alcohol and Tobacco)”* does not give specific direction on the rates of excise duty on alcohol but includes *“While it is recognised that excise duties can go some way to discourage excessive consumption and change consumption, it is acknowledged that it can be somewhat of a blunt instrument when compared to more targeted fiscal policies such as Minimum Unit Pricing (MUP).”*
- 2.9 The Committee for Health & Social Care will be considering whether any changes to the current rates of excise duty should be requested in future years in order to facilitate the introduction of MUP, recognising that MUP would apply to the retail price.
- 2.10 The Policy & Resources Committee is recommending **an increase in the duties levied on alcohol of 4% from 1 January 2022** as set out in The Excise Duties (Budget) Ordinance, 2021 [Proposition 5]. This is estimated to raise an additional £650,000 per annum (£250,000 in real-terms).
- 2.11 The 2021 anticipated income from excise duty on alcohol is £17.7million which is £1.9million in excess of the Budget, predominantly in respect of spirits. 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.
- 2.12 It is assumed that volumes of alcohol subject to excise duty will return to normal levels in 2022. Therefore, the 2022 Budget for income from excise duty on alcohol is £16.4million.

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- 2.13 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	25.0p	1.0p	26.0p
Beer / Cider (2.8% - 4.9% ABV) - 1 pint	50.0p	2.0p	52.0p
Spirits (37.5% ABV) – 25mls	37.4p	1.5p	38.9p
Spirits (37.5% ABV) – bottle (1 litre)	£14.96	60p	£15.56
Light wine (5.5% to 15% volume) – 125mls	35.1p	1.4p	36.5p
Light wine (5.5% to 15% volume) – bottle (750mls)	£2.11	8p	£2.19

Tobacco

- 2.14 The rates of excise duty are one of a range of tools used to achieve policy objectives and the Policy & Resources Committee may recommend changes in excise duty rates for reasons other than fiscal considerations.
- 2.15 The Committee for Health & Social Care has recently published the “*Combined Substance Use Strategy for Guernsey and Alderney 2021 – 2026 (Drugs, Alcohol and Tobacco)*” which includes “*Increases in the price of tobacco products have helped to reduce the smoking prevalence in Guernsey and Alderney from over 30% in 1988 to 13% in 2018. A year-on-year increase in the tax (RPI plus 5%) applied to tobacco is now embedded in Government policy and should be continued.*”
- 2.16 Therefore, the Policy & Resources Committee is recommending **an increase in excise duty in all tobacco products of 7.5% from 1 January 2022** as set out in The Excise Duties (Budget) Ordinance, 2021 [Proposition 5]. This would increase the excise duty on an average packet of twenty cigarettes from £5.82 to £6.26.
- 2.17 However, 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 the decade up to 2019, annual income ranged from £7million to £8.5million and averaged £7.7million.
- 2.18 In 2020 and 2021, 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. It is estimated that income from Excise Duty on Tobacco will be £10.9million in 2021, which is £4.9million higher than the Budget of £6million (which was lower than the normal level due to additional stock-holdings held in 2020 diminishing). The 2022 Budget for income from Excise Duty on Tobacco is £7.7million.

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- 2.19 The restriction of access to duty free products (Tobacco and Alcohol) has the potential to raise a modest amount of additional excise duty revenues, estimated to be up to £5million per annum. However, Guernsey is subject to a treaty obligation under the Kyoto Convention and this forms the basis for Guernsey's current duty free allowances. There may be some scope to revise duty free allowances on public health grounds, however further investigation is required to ensure that moving to a position where duty free allowances are set below the levels recommended by the Kyoto Convention is compatible with Guernsey's Customs Arrangement with the UK Government and its inclusion in the UK's WTO membership. Any changes to duty free allowances would also need to consider the potential impact on the commercial carriers, who sell much of the duty free goods brought into Guernsey.

Motor Fuel

- 2.20 The Policy & Resources Committee is recommending that **the excise duty on motor fuel is increased by 4%, from 1 January 2022** as set out in The Excise Duties (Budget) Ordinance, 2021 [Proposition 5]. This would increase the duty by 2.9p per litre to 76.3p per litre which is expected to raise an additional £800,000 per annum (£300,000 in real-terms). However, the expected decline in volumes as a result of increased efficiency of internal combustion engines; change in driving habits; and increasing use of vehicles which do not use motor fuel as energy source, is forecast to reduce income by £300,000 in 2022.
- 2.21 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 51.9p per litre from 1 January 2022. The concessionary rate of duty for biodiesel would be 66.3p per litre from 1 January 2022.
- 2.22 The 2021 anticipated income from excise duty on motor fuel is £19.3million which is £1.1million lower than the budget estimate of £20.4million due to the decline in volumes experienced during the lock-down period. It appears that volumes have now returned to their expected levels so the 2022 Budget Estimate for income from excise duty on motor fuel is set at £20.9million, which allows for a volume decrease of 5% compared to 2019 in accordance with the trend.
- 2.23 The impact of the reduction in revenues from excise duty on fuel as a result of declining volumes is the subject of an extant Resolution to investigate whether a distance charging model might offer a more sustainable alternative and to conduct a pilot to provide a proof of concept (Billet d'État XII, July 2019). The Policy & Resources Committee and the Committee *for the* Environment & Infrastructure are discussing the best way to progress this.

Tax on Real Property ('TRP')

Commercial

- 2.24 The 2020 Budget for Commercial TRP is £19.6million but the expected outturn is £400,000 lower due to a reduction in the number of TRP units of office and ancillary accommodation.

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2.25 **It is recommended that all commercial buildings and land tariffs for 2022 are increased by 4%,** [Proposition 6] which will raise approximately £750,000 per annum (£300,000 in real-terms).

2.26 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 2022 will be £6.25 per unit in addition to the general increase and would raise an additional £800,000. Therefore, the 2022 estimate for commercial TRP is £20.8million.

Domestic

2.27 The 2021 Budget for domestic TRP is £9.7million.

2.28 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."*

2.29 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 £1.87 in 2021, a real-terms increase of 45%. Due to the effect of the pandemic on a large number of individuals, the Policy & Resources Committee is of the view that the real-terms increase in domestic TRP rates in 2022 should be limited to the minimum necessary to generate the income directed by the Government Work Plan resolutions.

2.30 The Policy & Resources Committee is **recommending that domestic buildings and land tariffs for 2022 are increased by 4%** [Proposition 6]. This would raise an additional £400,000 per annum (£150,000 in real-terms). Therefore, the estimate for income from domestic TRP in 2022 is £10.1million.

2.31 The following table illustrates the effect of the increase in TRP rates on different domestic properties for 2021:

TRP of Property	Current (2021) TRP Annual	Increase in TRP Annual	Proposed (2022) TRP Annual
75	£140.25	£5.25	£145.50
150	£280.50	£10.50	£291.00
200	£430.00	£18.00	£448.00
300	£729.00	£30.00	£759.00
400	£1,084.00	£44.00	£1,128.00
500	£1,490.00	£60.00	£1,550.00
750	£2,235.00	£90.00	£2,325.00
1,000	£2,980.00	£120.00	£3,100.00

2022 BUDGET REPORT

Document Duty and Anti-Avoidance Duty

- 2.32 The 2021 Budget Estimate for income from Document Duty and Anti-Avoidance Duty was £19.5million. However, the housing market has been particularly buoyant and the estimated income in 2021 is £27.5million. There has been a 10% rise in local market housing prices over the past year and the total number of conveyances subject to duty up to August 2021 was 981 (local market) and 68 (open market), compared to 779 (local market) and 48 (open market) up to August 2020 and 648 (local market) and 46 (open market) up to August 2019.
- 2.33 The level of Document duty income can be difficult to forecast as it is dependent on both the volume and value of conveyances. The estimate for income from Document Duty and Anti-Avoidance Duty in 2022 is £22million which, although higher than that received prior to 2020, is lower than the 2021 projection as it is not expected that the current volume of activity in the housing market will be sustained. 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 3: Expenditure Proposals

- 3.1 The total 2021 revenue expenditure budget was £469.6million comprising £431.5million allocated to individual Committees; £17.9million held as the Budget Reserve; £17million as a specific COVID-19 provision; £10.2million allocated for service developments; and a £7million target for delivery of savings.
- 3.2 The recommended Cash Limits, which have been adjusted for cyclical items in both 2021 and 2022, include the following additional allocations within individual Committee Cash Limits:
- £51.5million in respect of health service expenditure previously funded from the Social Security Funds (paragraph 3.18);
 - A reduction of £16.5million due to the ending of the grant from General Revenue to the Guernsey Insurance Fund (paragraph 3.33).
 - £6.6million for the effect of pay awards settled since preparation of the 2021 Budget;
 - £3million of items previously funded from Reserves and Funds;
 - A reduction of £1.4million for the effect of savings realised in 2021;
 - £8.9million increase for cost pressures in relation to inflation or demand for delivery of existing services. £6.2million of this total relates to health and social care services and £1.4million is in respect of the inflation uprating of non-contributory social security benefits (income support, family allowances and severe disability benefit and carers' allowances);
 - £3.3million for approved service developments which were prioritised in the 2020 or 2021 Budget Reports or which follow specific States' direction including £2million for the Public Service Obligation (PSO) contract which has been put in place with Aurigny that secures the operation of Alderney's air services to and from Guernsey and Southampton; and
 - £2million for initiatives which were approved as part of the Government Work Plan.
- 3.3 Therefore, it is recommended that funding of £491.6million is allocated to Committees in 2022 comprising Non-Formula Led Cash Limits of £425.1million and Formula Led estimates of £66.5million.
- 3.4 In addition, there is a Budget Reserve of £11.8million; a COVID-19 specific provision of £8million; allocations for service developments and delivery of Government Work Plan initiatives which have not been incorporated into Committee Cash Limits of £18.5million; and planned delivery of £3.15million of savings.

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- 3.5 The recommended Cash Limits for 2022 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 2022 budgets are included as Appendix V).

	Note	2022 Revenue Cash Limit £'000s	2021 Revenue Cash Limit £'000
Corporate Services	1	46,325	42,645
Economic Development	2	8,425	6,045
Education, Sport & Culture	3	84,040	82,655
Employment & Social Security	4	12,435	12,360
Environment & Infrastructure	5	12,905	12,990
Health & Social Care	6	198,100 ^h	135,275
Home Affairs	7	34,965	32,700
Policy & Resources	8	12,230	8,600
Scrutiny Management		550	540
Development & Planning	9	1,190	1,345
Overseas Aid & Development	10	3,225	2,320
States' Trading Supervisory		1,400	1,345
Royal Court		2,610	2,590
Law Officers		6,200	5,880
States of Alderney	11	-	300
Pooled Budgets		500	525
TOTAL NON-FORMULA LED		425,100	348,115
Policy & Resources – Formula Led		2,050	2,040
Employment & Social Security - Formula Led	12	64,450	81,300
TOTAL FORMULA LED		66,500	83,340
TOTAL CASH LIMITS		491,600	431,455
BUDGET RESERVE - GENERAL		11,750	17,915
COVID-19 SPECIFIC PROVISION		6,000	12,000
GWP INITIATIVES / SERVICE DEVELOPMENTS		18,500	10,180
SAVINGS TO BE DELIVERED		(3,150)	(7,000)
COMMITTEE EXPENDITURE		524,700	464,550
BUSINESS SUPPORT MEASURES		2,000	5,000
REVENUE EXPENDITURE BUDGET		526,700	469,550

- 3.6 **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, Property Services, Shared Services Centre and Tribunals.

- 3.7 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

^h Includes £51.5million in respect of expenditure previously met from the Guernsey Health Service Fund.

2022 BUDGET REPORT

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, support for Public Service Reform transformation programmes and delivering a programme of approved economic development initiatives. The recommended 2022 Cash Limit includes £3.2million of non-recurring budget to fund the MYGOV transformation programme from the allocation of £16.7million approved in the policy letter.

- 3.8 The profile of the contract value with Agilisys Guernsey Limited 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."* Therefore, the recommended 2022 cash limit for Corporate Services includes a net £750,000 reduction in funding comprising a £1.1million reduction in the contract value and allowance of £350,000 for inflation.
- 3.9 Following the restructuring of Reserves approved in the 2021 Budget Report, budget of £575,000 for the oversight and administration of the portfolio service which was previously funded from the Capital Reserve has been incorporated within the base Cash Limit.
- 3.10 **Committee for Economic Development (Note 2)** – Following the restructuring of Reserves approved in the 2021 Budget Report, budget which was previously funded from the Future Guernsey Economic Fund (Guernsey Finance: £400,000; Locate Guernsey: £325,000; and Digital Greenhouse: £290,000) has been incorporated within the base Cash Limit. In accordance with the recovery action of *"Invest in the Finance Sector"* incorporated within the Government Work Plan, further funding of £1million has been allocated to the Committee for Economic Development for Guernsey Finance in 2022 (out of a total additional investment of £3million over three years).
- 3.11 Following a review of the allocation of its budget and focussed redistribution between service areas, the Committee for Economic Development has submitted its 2022 budget £175,000 below the indicative Cash Limit.
- 3.12 **Committee for Education, Sport & Culture (Note 3)** – 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 £538,000 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.
- 3.13 In order to enable the implementation of the recommendations of the National Association for Special Educational Needs (nasen) report on Special Educational Needs and/or Disabilities provision in Guernsey, the recommended Cash Limit includes additional ongoing funding of £634,000 to employ non-teaching Special Educational Need co-ordinators in each school. This is one of the recovery actions in the *"Promote Education, Skills and Learning"* Area of Focus within the Government Work Plan.
- 3.14 The service development funding allocation includes £150,000 for the provision of additional cultural enrichment activities for children in primary schools, as agreed by

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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). This has been funded by a reduction in Family Allowance (paragraph 3.32).

3.15 **Committee for Employment & Social Security (Note 4)** – 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:

- An increase of £75,000 (taking the total ongoing budget increase to £320,000) in funding 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
- £245,000 (including £150,000 originally allocated to 2021 but expenditure has been delayed) to fund project set-up costs and awareness raising about legislative changes.

3.16 The Committee for Employment & Social Security has recently agreed changes to the Community & Environmental Projects Scheme (CEPS) in favour of a slimmed down “work2benefit” scheme which is expected to generate a saving of £236,000 per annum from 2022. The Committee for Employment & Social Security has retained this saving to increase the grant funding it provides to various charitable organisations including those which provide services to support occupational activity and work rehabilitation.

3.17 **Committee for the Environment & Infrastructure (Note 5)** – the recommended Cash Limit includes allowance of £150,000 for inflation on contracts. As part of the renegotiation of the scheduled bus service contract, an ongoing saving of £300,000 has been realised.

3.18 **Committee for Health & Social Care (Note 6)** – 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. The required legislation has been put in place during 2021 and, therefore, the 2022 base budget for the Committee for Health & Social Care includes £51.5million in respect of health services expenditure previously funded from the Social Security Funds.

3.19 In addition to an allowance of £4.4million for settled pay awards and £1.1million for funding the ongoing effect of service developments approved in 2021, the recommended Cash Limit of £198.1million includes an inflation allowance of £3.2million, including £2.2million in respect of services previously provided from the Guernsey Health Service Fund.

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- 3.20 The baseline projections within the Funding & Investment Plan included *“Allowance of £3million per annum for underlying health cost pressures due to demand on services, primarily in acute off-island treatment and hospital treatment as well as other adult and specialist services.”* The Committee for Health & Social Care has advised that it is facing budgetary pressures in a number of areas which are in excess of this amount and, therefore, the full £3million allowance has been included within the recommended Cash Limit.
- 3.21 The service development funding allocation includes £300,000 to fund service developments included in the 2021 Budget but which have not yet been implemented and £1.8million to provide affordable primary health care and dental care for children and teenagers, 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). This has been funded by a reduction in Family Allowance (paragraph 3.32) and will be added to the Committee’s base Cash Limit once it has negotiated appropriate arrangements with the primary care practices
- 3.22 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 were estimated to be £5.6million in Year 1 and £8.3million from Year 2 (to which needs to be added £500,000 as the expected consequential fall in private patient income). The States agreed that the costs of this service development will be met from the Guernsey Health Reserve (which is ring-fenced within the General Revenue Reserve).
- 3.23 Due to the COVID-19 pandemic, the phased implementation of this policy has been delayed and the net additional costs are not yet finalised. However, provision of £6.5million has been made for 2022 and the funding will be added to the Committee’s base Cash Limit once the net additional costs are better understood.
- 3.24 In line with the Government Work Plan, the budget also includes provision for the Guernsey Health Reserve to fund initiatives to tackle the waiting list for procedures which has increased as a result of the delays that have arisen as a result of COVID-19.
- 3.25 **Committee for Home Affairs (Note 7)** – The recommended Cash Limit includes specific additional funding of £1.85million in respect of the service development budget allocated in the 2020 and 2021 budgets to increase the budget for countering economic crime, money laundering and terrorist financing. Allowance of £70,000 has been made to fund maintenance of cameras used for CCTV which is a fundamental tool and service in the support of public safety and surveillance.
- 3.26 **Policy & Resources (Note 8)** – A Public Service Obligation (PSO) contract has been put in place with Aurigny that secures the operation of Alderney’s air services to and from Guernsey and Southampton. The recommended Cash Limit includes specific additional ongoing provision of £2million which is the target maximum contract payment.

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- 3.27 Following the restructuring of Reserves approved in the 2021 Budget Report, budget of £625,000 relating to investment of the portfolio which was previously funded from the Capital Reserve have been incorporated within the base Cash Limit together with non-recurring funding of £200,000 to continue the implementation of International Public Sector Accounting Standards (IPSAS).
- 3.28 The recommended Cash Limit also includes £150,000 to meet the costs of hosting the British & Irish Council Summit.
- 3.29 **Development & Planning Authority (Note 9)** – The Cash Limit includes an ongoing reduction of £142,000 in respect of work delivered through public service reform to improve service efficiency and a further £60,000 reduction due to increased fee income.
- 3.30 **Overseas Aid & Development Commission (Note 10)** – The Overseas Aid & Development Commission proposed a 2021 Cash Limit of £2.32million, a reduction of £830,000, which it managed by deferring the launch of its Large Grants Programme until 2022 and maintaining its focus on its other programmes including Small Grants; Disaster Relief; Community Partnerships; Skills Partnership; and supporting Fairtrade. The recommended Cash Limit for 2022 includes reinstatement of this reduction together with an inflation allowance of £75,000.
- 3.31 **Formula Led Social Security (Note 11)** – The 2021 estimate includes provision for inflation increases in rates of benefit for claimants of Family Allowance, Severe Disability & Carers' Allowance and Income Support at a total cost of £1.4million. Part of the reduction in expenditure on Income Support resulting from the tailing off of the impact of COVID-19 (£1.2million) has been offset by an increased demand for Severe Disability & Carers' Allowances (£800,000).
- 3.32 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 £1.945million in 2022 (comprising £630,000 which was removed from the 2021 budgetⁱ plus a further £1.315million) which will be reallocated to fund the new services to be provided by the Committees for Education, Sport & Culture and Health & Social Care.
- 3.33 As part of the *"Reform of Health Care Funding"* the States agreed that the grant from General Revenue to the Guernsey Insurance Fund, which was budgeted to be £16.5million in 2021, would no longer be paid.
- 3.34 **States of Alderney (Note 12)** - The formal financial relationship between Guernsey and Alderney stems from an agreement made in 1948 ("the 1948 agreement") and the two

ⁱ It was intended that the revised arrangements would be introduced from September 2021 but this has been delayed until 3 January 2022. The 2021 funding reduction was restored to the Family Allowance budget.

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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. The 1948 Agreement has been reviewed on a number of occasions over the years. The Government Work Plan has an action to *“Strengthen the relationship between Guernsey and Alderney”* which is wider in scope than the services covered by the 1948 Agreement. It is intended to build on the existing relationship between the Islands by reviewing services, administration and policy development and considering opportunities for closer working to improve efficiency and remove duplication

- 3.35 In 2021, the final stage of the modification of financial arrangements between the islands which was agreed in 2016 was implemented. This included the provision of a grant of £300,000 to the States of Alderney for the transitional year of 2021 only.
- 3.36 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 the funding arrangement between the islands. However, for a number of years, the States of Guernsey has agreed that these surpluses can be used as the source of funding for the States of Alderney capital programme and they have predominantly been used to address the back-log of major infrastructure works and also to transfer £300,000 per annum into the States of Alderney Economic Development Fund.
- 3.37 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 work to strengthen the relationship between Guernsey and Alderney.
- 3.38 In order to provide short-term certainty for the States of Alderney, **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 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 per annum until such time as these arrangements are changed as part of the ongoing work to strengthen the relationship between Guernsey and Alderney.** [Propositions 8 and 9].

Budget Reserve - General

- 3.39 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'.

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3.40 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.

3.41 The 2022 Budget Reserve of £11.8million includes

- an allowance for 2022 pay awards;
- provision for increasing established staff budgets in case the assumed 5% level of underspend arising from staff turnover does not occur;
- a general provision to cover items such as variations in formula-led expenditure (including any specific support required as a result of the significant rise in gas bills), increase in cost or demand for services in excess of that included in the Cash Limits; and
- a limited amount of funding for other unanticipated / contingency / 'emergency' expenditure where there is a clear business case or demand / cost pressures.

3.42 In respect of the latter two items, 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 from the Budget Reserve.

COVID-19 specific provision

3.43 A specific provision of £6million has been made 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 the vaccine programme (£2million);
- on-island testing (£2million)
- travel resumption testing (£1million); and
- impact on States operating income (£1million).

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Service Developments and Government Work Plan Initiatives

- 3.44 A total of £2million of funding for initiatives prioritised as part of the Government Work Plan has been added to base Cash Limits, including £1million to the Committee *for* Economic Development to increase the grant to Guernsey Finance and £634,000 to the Committee *for* Education, Sport & Culture to fund Special Educational Need co-ordinators.
- 3.45 A provision has been made of £18.5million for service developments and initiatives prioritised in the Government Work Plan, including an allowance for those for which Committees have not yet requested funding:

	£'000	£'000
<u>Service Developments (prioritised in 2020 / 2021 Budget Reports)</u>		
Committee <i>for</i> Education, Sport & Culture		
Cultural enrichment activities (funded from reduction in Family Allowance)	150	
Committee <i>for</i> Health & Social Care		
Balance of 2020 allocation (various)	330	
Affordable primary health care and dental care for children and teenagers (funded from reduction in Family Allowance)	1,795	
Committee <i>for</i> Home Affairs		
Balance of 2020 allocation (Computer Emergency Response Team)	<u>725</u>	
		3,000
<u>Service Developments (funded from the Health Service Reserve)</u>		
Committee <i>for</i> Health & Social Care		
NICE TAs	6,500	
Waitlist initiative	<u>1,950</u>	
		8,450
<u>Government Work Plan Initiatives</u>		
Managing the effects of Brexit and meeting international standards	800	
Recovery actions	3,750	
Reshaping government initiatives (transformation)	1,800	
Revenue impact of capital expenditure	<u>700</u>	
		7,050
TOTAL		18,500

- 3.46 The funding will be transferred into Committee budgets and allowance made within recommended 2023 Cash Limits following the Policy & Resources Committee's approval of a request once more detailed costings are available and, where applicable, it can be demonstrated that the initiative can be fully funded within the allocation on an ongoing basis.

Savings

- 3.47 It is anticipated that £3.2million of recurring savings will be delivered in 2022 including £1.7million (net of £1million of recurring revenue costs) from the MYGOV programme as part of public service reform and £500,000 from Procurement initiatives.

The Excise Duties (Budget) Ordinance, 2021

THE STATES, in pursuance of their Resolution of the 2nd November 2021^a 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^b, 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, 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	£425.71 per kilo
(b)	Cigars	£425.71 per kilo
(c)	Hand rolling tobacco	£413.27 per kilo
(d)	Other manufactured tobacco	£358.47 per kilo
(e)	Tobacco leaf – unstemmed	£397.94 per kilo
(f)	Tobacco leaf – stemmed	£401.93 per kilo

^a Article I of Billet d’État No. XXI of 2021.

^b 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.) | 76.3p per litre |
| (b) | Petrol used for the purpose of marine navigation | 51.9p per litre
where supplied by
an approved trader
except where
supplied to an
approved trader in
which case 76.3p
per litre ^c |
| (c) | Gas oil | 76.3p per litre |

3. Other fuels -

Biodiesel	66.3p 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

^c 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 | 27p 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 | 57p per litre |
| (c) | Beer brewed by an independent small brewery exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume | 46p 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 | 92p per litre |

- | | | |
|-----|---|-----------------|
| (e) | Beer brewed by an independent small brewery exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume | 58p 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 | £1.15 per litre |
| (g) | Beer exceeding 7.5 per cent volume | £1.33 per litre |

5. Spirits -

Spirits	£41.50 per litre of alcohol contained in the liquor, calculated in accordance with section 23D
---------	--

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 | 27p per litre |
| (b) | Cider, other than cider produced by an independent small cider-maker, | 57p 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	46p 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	92p 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	58p 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	£1.15 per litre
(g)	Cider exceeding 7.5 per cent volume	£1.33 per litre

7. Wines -

(a)	Light wines not exceeding 5.5 per cent volume	72p per litre
(b)	Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)	£2.92 per litre
(c)	Other wines	£4.67 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, 2020^d is repealed.

Citation.

4. This Ordinance may be cited as the Excise Duties (Budget) Ordinance, 2021.

Commencement.

5. This Ordinance shall come into force on the 1st January, 2022.

^d Ordinance No. XLIII of 2020.

The Taxation of Real Property

(Guernsey and Alderney)

(Amendment) Ordinance, 2021

THE STATES, in pursuance of their resolution of the 2nd November, 2021^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 and all other powers enabling them in that behalf, 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.

Repeal.

2. The Taxation of Real Property (Guernsey and Alderney) (Amendment) (No. 2) Ordinance, 2020^d is repealed.

Extent.

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

a Article I of Billet d'État No. XXI of 2021.

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) (No. 2) Ordinance, 2020; there are other amendments not material to this Ordinance.

d Ordinance No. XLIV of 2020.

Citation.

4. This Ordinance may be cited as the Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2021.

Commencement.

5. This Ordinance shall come into force on the 1st January, 2022.

GUERNSEY REAL PROPERTY

TABLE A1

GUERNSEY RESIDENTIAL BUILDINGS

1	2	3
Property Reference	Property Description/Usage	2022 Tariff
B1.1	Domestic (whole unit) Local Market with a plan area of less than 200 assessable units	£1.94
B1.1.2	Domestic (whole unit) Local Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.24
B1.1.3	Domestic (whole unit) Local Market with a plan area of 300 or over up to (and including) 399 assessable units	£2.53
B1.1.4	Domestic (whole unit) Local Market with a plan area of 400 or over up to (and including) 499 assessable units	£2.82
B1.1.5	Domestic (whole unit) Local Market with a plan area of 500 and over assessable units	£3.10
B1.2	Domestic (flat) Local Market with a plan area of less than 200 assessable units	£1.94
B1.2.2	Domestic (flat) Local Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.24
B1.2.3	Domestic (flat) Local Market with a plan area of 300 or over up to (and including) 399 assessable units	£2.53
B1.2.4	Domestic (flat) Local Market with a plan area of 400 or over up to (and including) 499 assessable units	£2.82
B1.2.5	Domestic (flat) Local Market with a plan area of 500 and over assessable units	£3.10
B1.3	Domestic (glasshouse) Local Market	5p
B1.4	Domestic (outbuildings) Local Market	98p
B1.5	Domestic (garaging and parking) (non-owner-occupied) Local Market	£1.94
B2.1	Domestic (whole unit) Open Market with a plan area of less than 200 assessable units	£1.94
B2.1.2	Domestic (whole unit) Open Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.24
B2.1.3	Domestic (whole unit) Open Market with a plan area of 300 or over up to (and including) 399 assessable units	£2.53
B2.1.4	Domestic (whole unit) Open Market with a plan area of 400 or over up to (and including) 499 assessable units	£2.82

GUERNSEY RESIDENTIAL BUILDINGS (continued)

1	2	3
Property Reference	Property Description/Usage	2022 Tariff
B2.1.5	Domestic (whole unit) Open Market with a plan area of 500 and over assessable units	£3.10
B2.2	Domestic (flat) Open Market with a plan area of less than 200 assessable units	£1.94
B2.2.2	Domestic (flat) Open Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.24
B2.2.3	Domestic (flat) Open Market with a plan area of 300 or over up to (and including) 399 assessable units	£2.53
B2.2.4	Domestic (flat) Open Market with a plan area of 400 or over up to (and including) 499 assessable units	£2.82
B2.2.5	Domestic (flat) Open Market with a plan area of 500 and over assessable units	£3.10
B2.3	Domestic (glasshouse) Open Market	5p
B2.4	Domestic (outbuildings) Open Market	98p
B2.5	Domestic (garaging and parking) (non-owner-occupied) Open Market	£1.94
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)	98p

TABLE A2

GUERNSEY COMMERCIAL BUILDINGS

1	2	3
Property Reference	Property Description/Usage	2022 Tariff
B4.1	Hostelry and food outlets	£6.95
B4.2	Self-catering accommodation	£4.35
B4.3	Motor and marine trade	£6.00
B4.4	Retail	£12.15
B4.5	Warehousing	£6.45
B4.6	Industrial and workshop	£5.15
B4.7	Recreational and sporting premises	£2.95
B4.8	Garaging and parking (non-domestic)	£6.45
B5.1	Utilities providers	£50.50
B6.1	Office and ancillary accommodation (regulated finance industries)	£47.10
B6.2	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)	£34.55
B6.3	Office and ancillary accommodation (legal services)	£47.10
B6.4	Office and ancillary accommodation (accountancy services)	£47.10
B6.5	Office and ancillary accommodation (NRFSB)	£47.10
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)	£6.75

TABLE A3

GUERNSEY RESIDENTIAL LAND

1	2	3
Property Reference	Property Description/Usage	2022 Tariff
L1.1	Communal (flat) Local Market	25p
L1.2	Communal (flat) Open Market	25p
L3.1	Domestic Local Market	25p
L3.2	Domestic Open Market	25p
L3.5	Domestic Social Housing	Zero

TABLE A4

GUERNSEY COMMERCIAL LAND

1	2	3
Property Reference	Property Description/Usage	2022 Tariff
L1.3	Hostelry and food outlets	51p
L1.4	Self-catering accommodation	51p
L1.5	Motor and marine trade	51p
L1.6	Retail	51p
L1.7	Warehousing	51p
L1.8	Industrial	51p
L1.9	Recreational and sporting premises	51p
L1.10	Office and ancillary accommodation (regulated finance industries)	£1.68
L1.11	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)	£1.23
L1.11.2	Office and ancillary accommodation (legal services)	£1.68
L1.11.3	Office and ancillary accommodation (accountancy services)	£1.68
L1.11.4	Office and ancillary accommodation (NRFSB)	£1.68
L1.12	Utilities providers	51p
L2.1	Approved development site	£1.68
L3.3	Horticulture	25p
L3.4	Agriculture	25p
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)	51p

ALDERNEY REAL PROPERTY

TABLE B1

ALDERNEY RESIDENTIAL BUILDINGS

1	2	3
Property Reference	Property Description/Usage	2022 (and subsequent years) 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	2022 (and subsequent years) 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	2022 (and subsequent years) 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	2022 (and subsequent years) 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	2022 (and subsequent years) 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
B13.1H	Development building (domestic)	Zero

TABLE C2
HERM COMMERCIAL BUILDINGS

1	2	3
Property Reference	Property Description/Usage	2022 (and subsequent years) 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
B6.5H	Office and ancillary accommodation (NRFSB)	Zero
B7.1H	Horticulture (building other than a glasshouse)	Zero
B8.1H	Horticulture (glasshouse)	Zero
B9.1H	Agriculture	Zero
B10.1H	Publicly owned non-domestic	Zero
B11.1H	Exempt (Buildings)	Zero
B12.1H	Buildings – Penal Rate	Zero
B13.2H	Development building (non-domestic)	Zero

TABLE C3
HERM RESIDENTIAL LAND

1	2	3
Property Reference	Property Description/Usage	2022 (and subsequent years) 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	2022 (and subsequent years) 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. The Policy & Resources Committee reports on compliance with the Framework as part of the annual Budget Report and a detailed external review is commissioned periodically.

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. It means that, over the long-term, the amount that Guernsey spends on public services should be in balance with the revenues received leading to fiscal sustainability.

In some years it may be necessary to run a deficit and utilise reserves to meet the cost of providing services, but this should be balanced by surpluses in other years. The deficits in 2020 and 2021, which have been funded from reserves will need to be restored with surpluses in future years.

The 2022 Budget has been prepared in accordance with direction set out in the Funding & Investment Plan (included within the Government Work Plan; Billet d'État XV, 2021) which included the utilisation of reserves and issuance of debt to support the government priorities and capital programme until 2025. The net value of reserves is forecast to reduce in each of 2021 and 2022. This is a temporary measure and, as set out in the Funding & Investment Plan, a sustainable solution is required in the longer term if the commitment to long-term permanent balance is to be maintained.

"The proposed funding solution to borrow, in addition to the usual utilisation of reserves to support the capital requirements over the current term, is intended to enable the immediate progression of the States' priorities. However, it is a temporary solution only and a way of managing but not removing the underlying structural deficit. Without further action, beyond 2025 the States will again have to consider how best to support their spending requirements in the face of the same pressure to provide for the increased demand for existing services and maintain an appropriate level of capital investment. A longer-term solution is required, and the provision of that solution will span the consideration of expenditure (covered within the States' priority 4 – Reshaping Government), economic growth (included within priority 3) and raising additional revenues (with proposals from the Tax Review due to be considered by the States in September 2021) - all three elements will be required to achieve a sustainable solution."

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 deficit (before capital spend) for 2021, after provision for Aurigny loss and the Ports overdraft, is 1% of General Revenue income which is within this limit. A revenue surplus is projected for 2022 but this is not sufficient to cover the full capital provision in accordance with Principle 6.

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

The outturn for 2020 was an overall deficit and a deficit is forecast for 2021. While the 2022 budget projects a revenue surplus, it is not sufficient to cover capital requirements and therefore represents the third successive year of overall deficit. This will need to be resolved by 2025 in order to comply with Principle 3 with proposals being developed as part of the Tax Review and wider government policies around population and the cost of public services are seeking to address this.

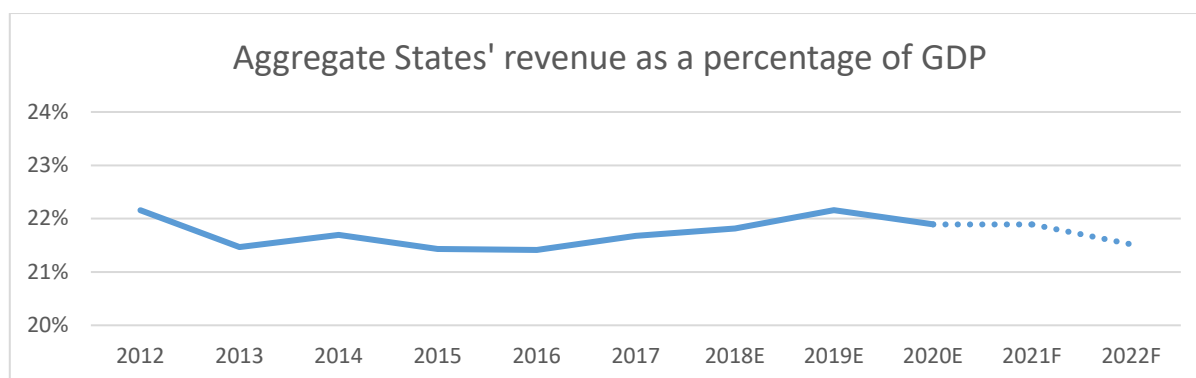
Principle 4: Measures to address any identified or anticipated deficit must be incorporated in the States Medium Term Financial Plan

The Funding & Investment Plan included proposals for managing States' finances until 2025 through a combination of utilising reserves and issuing debt. The ongoing work on the Tax Review together with projects looking at cutting expenditure or promoting economic growth will need to deliver a more sustainable solution to be set out in the next medium term plan.

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

This principle governs the aggregate size of the public sector. Its intention is to provide a limit on the maximum amount of money that government can take out of the general economy to provide public services. This includes all forms of taxation raised through General Revenue, Social Security contributions and the operating income of Committees, but does not include return on investments.

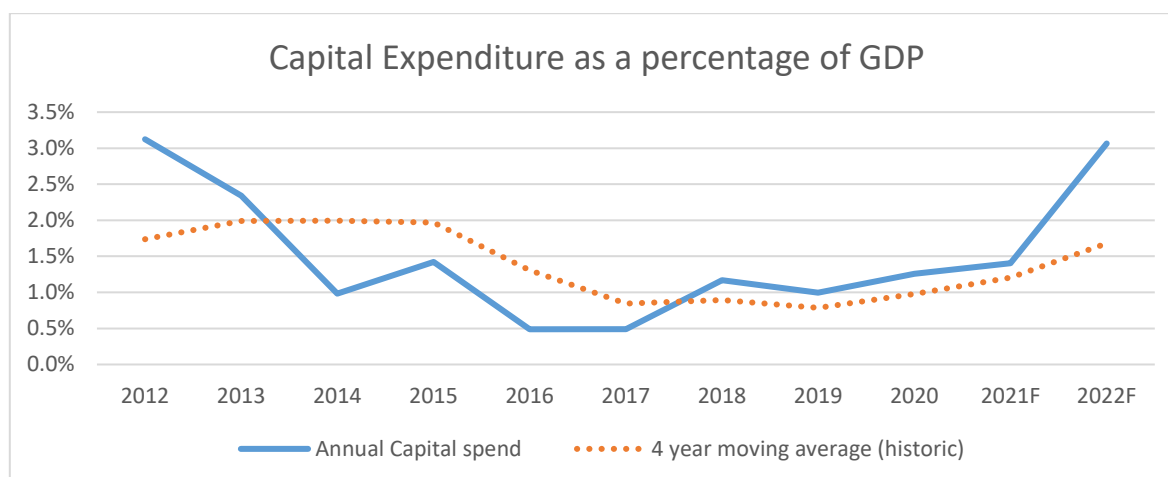
Forecasts show that the economic impact of the pandemic on GDP in 2020 is likely to be significantly less than initially thought, and the 2021 recovery more complete. As a result, the current expectation is that aggregate revenues as a percentage of GDP will remain relatively stable with forecasts indicating an average of 21.8% across 2020, 2021 and 2022.



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 spending commitments on capital. Due to the disruption arising from the pandemic, there was less capital spending in 2020 than planned and the forecast for 2021 is also lower than 1.5% of GDP.

As outlined in the Funding & Investment Plan, capital spend is anticipated to increase in 2022. If the amount outlined in that Plan's medium case is achieved (equivalent to a forecast 3.1% of GDP) this will increase the rolling 4-year average spend to 1.7% - just above the 1.5% target level. Over 8 years capital expenditure will average 1.3% of GDP, significantly below the 2% longer term target level.



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

The definition of debt includes any direct borrowing and guarantees provided to States trading entities, States owned enterprises and Non-Government Organisations on any commercial borrowing. 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, which is within the 15% of GDP limit:

	2021		2022	
	£m	% of Forecast GDP	£m	% of Forecast GDP
Direct Liabilities				
States of Guernsey Bond	330	9.6%	330	9.3%
Revolving Credit Facility (maximum £200m) ^a	50	1.5%	50	1.4%
Indirect and contingent liabilities				
Cabernet Ltd (loan for aircraft purchase, maximum £51m)	41	1.2%	39	1.1%
Total	421	12.3%	419	11.9%

The States have authorised the Policy & Resources Committee to continue with the Revolving Credit Facility or enter into new external borrowing facilities up to a total maximum of £200million. It is estimated that the full utilisation of this facility would take the total debt to approximately 16% of GDP, exceeding the 15% limit without any growth in GDP.

^a the part of the Rolling Credit Facility which is currently used to fund the overdraft of Cabernet Ltd will be cleared if the States agree to recapitalise the Company (Billet d'État XX, 2021).

2021 EXPENDITURE

The following table details the anticipated 2021 Probable Outturn for each Committee^a compared with budget:

2021	Original Budget	Authorised Budget	Probable Outturn	Anticipated (Over) / Underspend
	£'000s	£'000s	£'000s	£'000s
Corporate Services	42,645	48,252	46,633	1,619
Economic Development	6,045	8,557	8,088	469
Education, Sport & Culture	82,655	83,703	83,916	(213)
Employment & Social Security	12,360	13,138	11,726	1,412
Environment & Infrastructure	12,990	13,030	12,800	230
Health & Social Care	135,275	149,408	148,306	1,102
Home Affairs	32,700	33,481	33,303	178
Policy & Resources	8,600	12,272	11,845	427
Scrutiny Management	540	549	540	9
Development & Planning	1,345	1,251	1,128	123
Overseas Aid & Development	2,320	2,321	2,320	1
States' Trading Supervisory	1,345	1,918	1,896	22
Royal Court	2,590	2,701	2,555	146
Law Officers	5,880	6,110	6,329	(219)
Pooled Budgets	525	501	483	18
States of Alderney	300	300	300	-
TOTAL NON-FORMULA LED	348,115	377,492	372,168	5,324
Payments to States Members	2,040	2,065	2,065	-
Employment & Social Security	81,300	82,015	81,900	115
TOTAL FORMULA LED	83,340	84,080	83,965	115
CASH LIMITS	431,455	461,572	456,133	5,439
BUDGET RESERVE	17,915	7,439	3,091	4,348
COVID-19 PROVISION	12,000	4,106	-	4,106
SERVICE DEVELOPMENTS	10,180	6,382	582	5,800
SAVINGS TARGET	(7,000)	(5,879)	(177)	(5,702)
TOTAL COMMITTEE EXPENDITURE	464,550	473,620	459,629	13,991

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

During 2021, the following amounts were transferred into individual Committee Authorised Budgets from provisions made within the 2021 budget:

- £6.6million of funding which has been transferred between the Budget Reserve and Committees in respect of pay awards which have been settled since preparation of the 2021 budget, including £3.3million for Agenda for Change staff;
- £2.5million transferred into the Policy & Resources Committee budget from the Budget Reserve to fund the PSO contract with Aurigny to secure the operation of Alderney's air services to and from Guernsey and Southampton;
- £1.6million of other transfers from the Budget Reserve to Committees;
- £7.5million of COVID-19 specific expenditure (vaccine programme, on-island testing and travel testing); and
- £4.3million of service developments for which the States approved provision in the 2020 and 2021 Budget Reports.

In addition, the overall expenditure budget has increased by £9.1million in respect of expenditure which was previously met from Reserves and Funds.

Non-Formula Led Expenditure

Overall, Non-Formula Led expenditure is expected to be £5.3million below Authorised Budget with the underspends forecast in:

- Corporate Services (£1.6million due to difficulties in obtaining contractors for property maintenance projects and delays in delivery of large IT projects);
- Committee *for* Employment & Social Security (£1.4million, of which £700,000 is in respect of social housing maintenance as the lockdown has delayed planned works); and
- Committee *for* Health & Social Care (£1.1million but this could reduce depending on the extent of winter pressures and the operational responses required to meet them).

Formula Led Expenditure

Within Formula Led expenditure, higher than expected demand for Severe Disability & Carers Allowance has offset the decrease in the number of claims for Income Support.

Budget Reserve

It is anticipated that £4.3million of the Budget Reserve will not be required in 2021, largely as a result of the full provision for pay awards not being utilised.

^b The contract includes a target payment of no more than £2million, with a provision for a maximum sum of £2.5million. However, the contract excludes 2021 from being subject to the maximum deficit sum, in recognition of the impact of COVID-19 on the operation of the services.

COVID-19 provision

The Committee *for* Health & Social Care has been allocated £7.5million from the £12million provision included in the 2021 Budget in order to fund:

- Undertaking a mass vaccination programme (£2.3million);
- Travel resumption testing (£2million); and
- On-island testing (£3.2million).

There is anticipated to be approximately £1.5million of other additional costs incurred across multiple Committees in 2021 as a result of COVID-19 but these have been absorbed within existing budgets as they are offset by reduced expenditure including as a result of the limitations placed on normal operational activity.

Service Developments

The 2021 Budget included provision of £10.2million for funding service developments. It is expected that a total of £4.4million will be released into Committee budgets in 2021 as initiatives commence with the balance of £5.8million being unspent in-year. A significant part of the unspent balance relates to the funding of drugs, treatments and devices (NICE TAs) where £3.2million of the £5million allocated is unlikely to be required in 2021 due to delays in implementation as a result of the COVID-19 pandemic.

Savings Target

The 2021 budget anticipated that £7million of recurring savings would 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.

As set out in the Funding & Investment Plan, it is now expected that these savings will not be delivered in full until 2023. It is currently anticipated that £1.3million of recurring savings will be delivered in 2021 including £600,000 from the MYGOV programme (part of Organisational and Service Design); £300,000 from Procurement initiatives; and £100,000 from the Revenue Service.

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

2022	7.5% increase	(RPIX plus 5%)			
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

2022	4% increase	2014	5% increase
2021	1.5% increase	2013	3% increase
2020	5% increase	2012	3% increase
2019	5% increase	2011	3.5% increase
2018	5% increase	2010	15% increase on spirits only
2017	5% increase	2009	5.5% increase
2016	5% increase	2008	20% increase
2015	5% increase		

Duty on Fuel

2022	4% increase		
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

2020-2022	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

2022	4% increase	
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, 2013);
- Approve opening capital votes for urgent capital projects of up to £2million (States Capital Investment Portfolio, Billet d'État XVI, 2014);
- Approve opening capital votes for emergency capital projects without limit;
- Approve opening of capital votes for all schemes in the capital portfolio or to enter into alternative delivery arrangements, subject to the overall capital portfolio being delivered within a total of £568million (Billet d'État XV, 2021);
- 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);
- Approve transfers of funding from the Budget Reserve and General Revenue Reserve to Committee budgets over the period 2021-2025 for: managing the effect of Brexit and meeting international standards (ongoing expenditure); Recovery actions (one-off and ongoing expenditure); revenue impact of capital expenditure (ongoing expenditure); and reshaping government initiatives (transformation) (one-off expenditure) (Billet d'État XV, 2021);
- 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;
- Decide whether to transfer the real-terms investment returns from the Core Investment Reserve to the Capital Reserve [General Revenue Reserve] (Budget 2018, Billet d'État XX, 2017);
- Undertake strategic property purchases and sales;
- Approve loans from the States of Guernsey Bond to States owned entities including subsidiaries thereof, trading accounts and funds, the Guernsey Housing Association, the Alderney Housing Association, the Ladies College and / or to sporting organisations or playing field authorities to support the provision of sporting facilities (Billet d'État XVI, 2020);
- Approve uses of the Participatory Budgeting Fund (2019 Budget, Billet d'État XXIV, 2018); and
- Continue with a £200million short-term borrowing facility or to enter into new external borrowing facilities up to a total maximum of £200million for a period of up to 40 years (Billet d'État XV, 2021).

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, 2017).

Major Capital Projects

The States have delegated the following specific authorities to the Policy & Resources Committee in respect of major capital projects which pre-date the portfolio agreed by the States in July 2021 (Billet d'État XV, 2021):

- **Revenue Service** – up to £12.1million to be funded from the General Revenue Reserve and the Guernsey Insurance Fund (Billet d'État No VII, 2020):

“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 [General Revenue 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.”

- **Future Digital Services** – up to £43.6million (Billet d'État No X, June 2019):

“To approve funding from the Capital Reserve [General Revenue 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.” and

“To approve funding from the Capital Reserve [General Revenue 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.”

- **Electronic Patient Record System** – up to £20.0million (Billet d'État No XI, 2020):

“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.”

INCOME AND EXPENDITURE ACCOUNT

2020	2021			2022
Actual	Original Budget	<u>Income and Expenditure by Category</u>		Budget
£'000s	£'000s		Note	£'000s
		Income		
328,450	333,700	Income Taxes	1	368,000
104,308	92,250	Other Taxes	2	99,250
-	-	Social Security Contributions		29,600
41,085	34,600	Miscellaneous Income	3	50,500
473,843	460,550	General Revenue Income		547,350
40,651	42,989	Committee Operating Income (including transfers)		48,116
514,494	503,539	Total Income		595,466
		Less Expenditure		
245,655	249,696	Pay	4	267,261
189,792	141,408	Non-Pay	5	205,955
82,452	83,340	Formula-Led	6	66,500
-	(7,000)	Savings Target		(3,150)
517,899	467,444	Revenue Expenditure		536,566
-	10,180	Government Work Plan / Service Developments		18,500
-	29,915	Budget Reserve		17,750
-	5,000	COVID-19 Business and Personal Support		2,000
(3,405)	(9,000)	Revenue (Deficit) / Surplus		20,650
-	1,000	Capital Income - Sale of Property		3,000
(3,405)	(8,000)	Net (Deficit) / Surplus		23,650
35,209	14,000	Provision for Aurigny Loss		1,400
5,290	-	Provision for Ports Overdraft		-
(43,904)	(22,000)	Transfer (from) / to General Revenue Reserve		22,250

Note: 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, with effect from 2022, the contributions currently directed towards the Guernsey Health Service Fund will be credited to General Revenue. These revised arrangements come into effect on 1 January 2022 and will have the following effect on the General Revenue budget:

- Revenue income - increase by £29.6million;
- Formula Led expenditure by the Committee for Employment & Social Security - decrease by £16.5million; and
- Revenue expenditure by the Committee for Health & Social Care - increase by £53.7million.

INCOME AND EXPENDITURE ACCOUNT

2020	2021		2022
Actual	Original Budget	<u>Income and Expenditure by Service Area</u>	Budget
£'000s	£'000s		£'000s
473,843	460,550	Revenue Income	547,350
-	1,000	Capital Income - Sale of Property	3,000
<u>473,843</u>	<u>461,550</u>	Total Income	<u>550,350</u>
		Net Revenue Expenditure	
42,131	42,645	Corporate Services	46,325
5,746	6,045	Committee for Economic Development	8,425
81,242	82,655	Committee for Education, Sport & Culture	84,040
91,352	93,660	Committee for Employment & Social Security	76,885
12,355	12,990	Committee for the Environment & Infrastructure	12,905
134,231	135,275	Committee for Health & Social Care	198,100
31,868	32,700	Committee for Home Affairs	34,965
10,724	10,640	Policy & Resources Committee - Core Services	14,280
518	540	Scrutiny Management Committee	550
1,204	1,345	Development & Planning Authority	1,190
2,081	2,320	Overseas Aid & Development Commission	3,225
1,556	1,345	States' Trading Supervisory Board	1,400
3,032	2,590	Royal Court	2,610
5,451	5,880	Law Officers	6,200
527	525	Pooled Budgets	500
1,973	300	States of Alderney	-
-	10,180	Government Work Plan / Service Developments	18,500
-	29,915	Budget Reserve	17,750
-	(7,000)	Savings Target	(3,150)
<u>425,991</u>	<u>464,550</u>	Total Cash Limits	<u>524,700</u>
51,257	5,000	COVID-19 Business and Personal Support	2,000
<u>(3,405)</u>	<u>(8,000)</u>	Net (Deficit) / Surplus	<u>23,650</u>
35,209	14,000	Provision for Aurigny Loss	1,400
5,290	-	Provision for Ports Overdraft	-
<u>(43,904)</u>	<u>(22,000)</u>	Transfer (from) / to General Revenue Reserve	<u>22,250</u>

NOTES

1. Income Taxes

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
267,019	271,700	Individuals	300,000
52,905	51,700	Companies (including Banks)	59,000
8,526	10,300	Distributed Profits	9,000
328,450	333,700	Income Taxes	368,000

2. Other Taxes

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
		Customs - Excise and Import Duties	
3,946	4,050	<i>Beer</i>	4,225
1,003	1,050	<i>Cider</i>	1,100
18,845	20,425	<i>Motor Fuel</i>	20,900
5,221	4,200	<i>Spirits</i>	4,375
13,850	6,000	<i>Tobacco</i>	7,700
6,717	6,500	<i>Wine</i>	6,750
1,730	100	<i>Import duties</i>	350
51,312	42,325		45,400
29,075	29,275	Tax on Real Property	30,900
23,029	19,500	Document Duty - Conveyancing	22,000
892	1,150	Vehicle First Registration Duty	950
104,308	92,250	Other Taxes	99,250

NOTES

3. Miscellaneous Income

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
19,576	19,080	Housing Rental Income	19,950
9,942	9,660	Company Fees	9,700
2,974	3,050	Property Rental Income	3,050
5,492	2,100	Surplus on Notes and Coins Trading Account	2,100
(644)	-	Net Investment Return	15,000
1,944	250	States' Trading Companies' Dividends	300
238	310	Royalties	250
1,563	150	Other Income	150
41,085	34,600	Miscellaneous Income	50,500

4. Pay Costs by Pay Group

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
87,146	88,443	Established Staff	95,949
69,286	70,819	Nurses and Medical Consultants	78,557
45,923	46,542	Teachers, Lecturers and Learning Support Assistants	47,613
16,646	17,377	Public Service Employees	18,592
9,182	9,691	Police Officers	9,208
3,610	3,782	Border Agency Officers	4,133
3,664	3,765	Prison Officers	3,770
3,527	3,571	Fire Officers	3,581
2,487	2,376	Home Support Staff	2,497
1,644	1,669	Crown Officers and Judges	1,761
2,540	1,661	Other Pay Groups	1,600
245,655	249,696	Pay Costs by Pay Group	267,261

NOTES

5. Non-Pay Costs by Expenditure Category

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
		Staff Non Pay Costs	
4,141	3,488	<i>Recruitment</i>	3,577
1,320	2,325	<i>Training</i>	2,575
470	500	<i>Other Staff Costs</i>	533
<u>5,931</u>	<u>6,313</u>		<u>6,685</u>
		Support Services	
1,723	2,000	<i>Advertising Marketing and PR</i>	2,127
244	242	<i>Audit Fees</i>	249
908	291	<i>Bank Charges</i>	346
2,235	1,469	<i>Communications and IT</i>	1,563
2,563	2,199	<i>Consultants Fees</i>	4,064
31,762	31,969	<i>Contracted Out Work</i>	32,279
56	-	<i>Incidental and Other costs</i>	-
1,227	1,067	<i>Postage, Stationery and Printing</i>	1,065
2,947	3,251	<i>Risk Management and Insurance</i>	3,391
<u>43,665</u>	<u>42,488</u>		<u>45,084</u>
		Premises	
849	610	<i>Equipment, Fixtures and Fittings</i>	744
2,533	2,807	<i>Rents and Leasing</i>	4,052
14,899	16,299	<i>Repairs, Maintenance and Servicing</i>	17,210
4,591	5,184	<i>Utilities</i>	5,538
<u>22,872</u>	<u>24,900</u>		<u>27,544</u>
		Third Party Payments	
350	304	<i>Benefit Payments</i>	170
78,092	26,786	<i>Grants and Subsidies</i>	59,187
<u>78,442</u>	<u>27,090</u>		<u>59,357</u>
		Transport	
1,262	1,342	<i>Vehicles and Vessels</i>	1,378
		Supplies and Services	
22,976	23,517	<i>Services</i>	27,793
14,644	15,758	<i>Supplies</i>	38,114
<u>37,620</u>	<u>39,275</u>		<u>65,907</u>
<u>189,792</u>	<u>141,408</u>	Non-Pay Costs by Expenditure Category	<u>205,955</u>

NOTES

6. Formula-Led Costs by Expenditure Category

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
		Policy & Resources Committee	
1,980	2,040	<i>Payments to States Members</i>	2,050
		Committee for Employment & Social Security	
46,910	47,425	<i>Income Support Scheme</i>	47,200
16,332	16,500	<i>Guernsey Insurance Fund Grant</i>	-
8,459	8,100	<i>Family Allowance</i>	6,950
6,749	6,825	<i>Severe Disability Benefit & Carers' Allowances</i>	7,800
1,992	2,450	<i>Legal Aid</i>	2,500
30	-	<i>Concessionary TV Licences for the Elderly</i>	-
82,452	83,340	Formula-Led Costs	66,500

CORPORATE SERVICES

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
		<u>Net Expenditure by Category</u>	
6,436	6,546	Operating Income	6,849
		Non Formula-Led Expenditure	
18,181	18,367	Pay costs	20,090
		Non Pay costs	
4,148	3,642	Staff Non Pay costs	3,711
23,798	23,555	Support Services	25,411
1,944	2,839	Premises	2,932
-	-	Third Party Payments	300
15	20	Transport	18
481	768	Supplies & Services	712
30,386	30,824		33,084
42,131	42,645	Total Net Expenditure by Category	46,325

CORPORATE SERVICES

2020	2021		2022
Actual	Original Budget		Budget
£'000s	£'000s		£'000s
<u>Net Expenditure by Service Area</u>			
Non Formula-Led Expenditure			
		Corporate Functions	
1,562	1,594	<i>Chief Executive's Office</i>	1,931
493	554	<i>Assurance & Risk</i>	534
665	594	<i>Communications & Media</i>	605
306	344	<i>Data & Analysis Services</i>	350
445	440	<i>Data Protection</i>	749
2,708	2,507	<i>Finance</i>	2,746
7,317	6,903	<i>Human Resources</i>	7,042
17,931	18,174	<i>Information Systems & Services</i>	17,517
2,803	2,984	<i>Insurance</i>	3,100
932	921	<i>Procurement</i>	1,010
4,244	4,716	<i>Property Services</i>	4,657
2,615	2,781	<i>Shared Services Centre</i>	2,795
110	133	<i>Tribunals & Reviews</i>	135
<hr/> 42,131	<hr/> 42,645		<hr/> 43,171
-	-	Transformation	3,154
<hr/> 42,131	<hr/> 42,645	Net Expenditure by Service Area	<hr/> 46,325 <hr/>

COMMITTEE *for* ECONOMIC DEVELOPMENT

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
		<u>Net Expenditure by Category</u>	
<u>1,210</u>	<u>1,124</u>	Operating Income	<u>1,255</u>
		Non Formula-Led Expenditure	
<u>2,737</u>	<u>2,793</u>	Pay costs	<u>3,308</u>
		Non Pay costs	
23	19	Staff Non Pay costs	52
2,803	2,785	Support Services	2,937
22	35	Premises	172
1,193	1,219	Third Party Payments	2,878
27	67	Transport	67
<u>151</u>	<u>251</u>	Supplies & Services	<u>266</u>
<u>4,219</u>	<u>4,376</u>		<u>6,372</u>
<u>5,746</u>	<u>6,045</u>	Net Non Formula-Led Expenditure by Category	<u>8,425</u>

COMMITTEE *for* ECONOMIC DEVELOPMENT

2020	2021		2022
Actual	Original		Budget
£'000s	Budget		£'000s
	£'000s		
<u>Net Expenditure by Service Area</u>			
291	329	Central Services	291
99	18	Civil Aviation Office	141
		Finance & Economic Development	
571	616	<i>Finance Sector Development</i>	629
615	609	<i>Business Innovation & Skills</i>	1,599
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1,186	1,225		2,228
1,188	1,217	Grant & Support Schemes	2,791
		Marketing & Tourism	
1,132	1,346	<i>Consumer & Communications</i>	1,118
81	55	<i>Guernsey Information Centre</i>	23
35	68	<i>Quality Development</i>	73
771	706	<i>Strategic Marketing</i>	653
287	462	<i>Trade & Media Relations</i>	441
<hr/>	<hr/>		<hr/>
2,306	2,637		2,308
211	47	Office of the Public Trustee	47
203	302	Sea Fisheries	318
262	270	Strategic Projects	301
<hr/>	<hr/>		<hr/>
5,746	6,045	Net Expenditure by Service Area	8,425
<hr/>	<hr/>		<hr/>

COMMITTEE *for* EDUCATION, SPORT & CULTURE

2020	2021		2022
Actual	Original		Budget
£'000s	Budget		£'000s
	£'000s	Net Expenditure by Category	
<u>4,782</u>	<u>6,211</u>	Operating Income	<u>6,218</u>
		Non Formula-Led Expenditure	
<u>61,206</u>	<u>62,258</u>	Pay costs	<u>63,937</u>
		Non Pay costs	
466	643	<i>Staff Non Pay costs</i>	620
1,593	1,010	<i>Support Services</i>	999
5,123	5,264	<i>Premises</i>	5,807
14,487	14,784	<i>Third Party Payments</i>	14,501
201	237	<i>Transport</i>	235
2,948	4,670	<i>Supplies & Services</i>	4,159
<u>24,818</u>	<u>26,608</u>		<u>26,321</u>
<u>81,242</u>	<u>82,655</u>	Net Non Formula-Led Expenditure by Category	<u>84,040</u>

COMMITTEE *for* EDUCATION, SPORT & CULTURE

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
<u>Net Expenditure by Service Area</u>			
1,195	700	Beau Sejour <i>Net expenditure</i>	770
(1,045)	(700)	<i>Less transfer from Channel Islands Lottery (Guernsey)</i> <i>Fund</i>	(700)
150	-		70
4,016	4,096	Central Services	3,663
404	524	Cultural Activities & Events	523
		The Guernsey Institute	
8,351	8,328	<i>College of Further Education</i>	8,577
628	628	<i>Guernsey Training Agency</i>	628
1,224	1,259	<i>Institute of Health & Social Care Studies</i>	1,256
10,203	10,215		10,461
4,035	4,188	Higher Education	4,033
		Museums & Libraries	
1,602	1,578	<i>Grants to Libraries</i>	1,604
298	272	<i>Island Archive Service</i>	275
1,276	1,185	<i>Museums Service</i>	1,301
3,176	3,035		3,180
4,574	5,427	School & Pupil Support Services	5,444
		Schools	
3,925	3,745	<i>Grants to Colleges</i>	3,521
2,251	2,073	<i>Pre-School</i>	2,112
17,327	17,218	<i>Primary Schools</i>	18,625
789	814	<i>School Music Service</i>	821
20,504	20,775	<i>Secondary Schools</i>	20,648
7,090	7,311	<i>Special Schools</i>	7,550
2,110	2,105	<i>Voluntary Schools</i>	2,174
53,996	54,041		55,451
688	1,129	Sports	1,215
81,242	82,655	Net Expenditure by Service Area	84,040

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
		<u>Net Expenditure by Category</u>	
29	24	Operating Income	20
		Non Formula-Led Expenditure	
4,119	4,503	Pay costs	4,610
		Non Pay costs	
10	43	Staff Non Pay costs	42
410	817	Support Services	664
5,012	5,408	Premises	5,403
1,257	1,384	Third Party Payments	1,273
27	50	Transport	49
74	179	Supplies & Services	414
6,790	7,881		7,845
10,880	12,360	Non Formula-Led Expenditure by Category	12,435
		Formula-Led Expenditure	
78,480	78,850	Third Party Payments	61,950
1,992	2,450	Supplies & Services	2,500
80,472	81,300	Formula-Led Expenditure by Category	64,450
91,352	93,660	Total Net Expenditure by Category	76,885

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
<u>Net Expenditure by Service Area</u>			
Non Formula-Led Expenditure by Service Area			
1,931	2,192	Administration of Social Security & Legal Aid	2,102
1,109	1,249	Benefits & Allowances	1,619
668	1,008	Central Services	951
65	57	Disability & Inclusion	88
282	540	Employment Relations Service	632
305	387	Health & Safety Executive	394
560	575	Housing Strategy & Planning	275
5,344	5,750	Social Housing Buildings Maintenance	5,761
616	602	Social Housing Tenancy Management	613
10,880	12,360	Net Non Formula-Led Expenditure by Service Area	12,435
Formula-Led Expenditure			
		Legal Aid	
1,299	1,630	<i>Civil Legal Aid</i>	1,641
693	820	<i>Criminal Legal Aid</i>	859
1,992	2,450		2,500
30	-	Concessionary TV Licences for the Elderly	-
8,459	8,100	Family Allowance	6,950
6,749	6,825	Severe Disability Benefit & Carers' Allowances	7,800
16,332	16,500	Guernsey Insurance Fund Grant	-
46,910	47,425	Income Support Scheme	47,200
80,472	81,300	Formula-Led Expenditure by Service Area	64,450
91,352	93,660	Total Net Expenditure by Service Area	76,885

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
<u>Net Expenditure by Category</u>			
2,645	3,356	Operating Income	3,239
Non Formula-Led Expenditure			
3,100	3,271	Pay costs	3,245
		Non Pay costs	
12	19	<i>Staff Non Pay costs</i>	16
7,808	8,776	<i>Support Services</i>	8,908
2,242	2,395	<i>Premises</i>	2,223
1,105	1,193	<i>Third Party Payments</i>	1,074
51	36	<i>Transport</i>	49
682	656	<i>Supplies & Services</i>	629
11,900	13,075		12,899
12,355	12,990	Net Non Formula-Led Expenditure by Category	12,905

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
<u>Net Expenditure by Service Area</u>			
389	553	Central Services	495
88	87	Alderney Breakwater	81
		Agriculture, Countryside & Land Management	
1,711	1,784	<i>Agriculture & Veterinary Services</i>	1,679
938	907	<i>Coastal Services</i>	908
819	868	<i>Parks, Gardens & Nature Trails</i>	889
620	469	<i>Other Environmental Services</i>	475
<hr/> 4,088	<hr/> 4,028		<hr/> 3,951
120	164	Energy & Infrastructure	261
		Traffic & Highway Services	
2,553	3,114	<i>Highway Services</i>	3,157
660	898	<i>Integrated Transport Strategy</i>	867
(373)	(463)	<i>Licensing & Traffic Services</i>	(365)
4,830	4,609	<i>Passenger Transport</i>	4,458
<hr/> 7,670	<hr/> 8,158		<hr/> 8,117
<hr/> 12,355	<hr/> 12,990	Net Expenditure by Service Area	<hr/> 12,905

COMMITTEE *for* HEALTH & SOCIAL CARE

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
		<u>Net Expenditure by Category</u>	
<u>16,625</u>	<u>16,300</u>	Operating Income	<u>21,061</u>
		Non Formula-Led Expenditure	
<u>104,878</u>	<u>106,030</u>	Pay costs	<u>116,462</u>
		Non Pay costs	
552	809	Staff Non Pay costs	870
3,045	2,279	Support Services	2,326
6,732	7,091	Premises	8,984
4,147	4,833	Third Party Payments	33,033
676	639	Transport	682
30,826	29,894	Supplies & Services	56,804
<u>45,978</u>	<u>45,545</u>		<u>102,699</u>
<u>134,231</u>	<u>135,275</u>	Net Non Formula-Led Expenditure by Category	<u>198,100</u>

COMMITTEE *for* HEALTH & SOCIAL CARE

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
Net Expenditure by Service Area			
Central Services			
1,169	1,363	<i>Clinical Governance</i>	1,313
660	853	<i>Contract Management & Procurement</i>	2,157
1,520	1,907	<i>Corporate & Strategy</i>	2,001
14,752	15,168	<i>Estates & Facilities</i>	15,506
987	1,222	<i>Systems & Performance</i>	1,139
19,088	20,513		22,116
Community Services			
18,807	19,277	<i>Adult Services</i>	21,803
13,655	14,240	<i>Childrens Services</i>	14,806
6,757	5,256	<i>Complex Placements</i>	5,381
134	112	<i>Social Care Management</i>	124
21,494	21,875	<i>Specialist Services</i>	24,315
60,847	60,760		66,429
Primary Care Services			
-	-	<i>Consultation Grants</i>	3,350
-	-	<i>Prescription Subsidies</i>	20,750
-	-		24,100
Public Health & Strategy			
1,281	1,599	<i>Community Health & Wellbeing</i>	1,727
667	679	<i>Drug and Alcohol Strategy</i>	701
1,311	1,206	<i>Medical Public Health</i>	1,516
744	620	<i>Public Health Management</i>	719
3,702	-	<i>COVID-19 Response</i>	-
7,705	4,104		4,663
Secondary Care Services			
32,984	35,145	<i>Acute Hospital Services</i>	38,032
8,047	9,248	<i>Acute Off Islands Treatment</i>	12,885
1,614	1,380	<i>Health Care Management</i>	1,449
693	810	<i>Institute of Health and Social Care Studies</i>	834
2,466	2,499	<i>St John Ambulance & Rescue</i>	2,588
-	-	<i>Specialist Medical Benefit</i>	24,171
45,804	49,082		79,959
787	816	Office of the Children's Convenor	833
134,231	135,275	Net Expenditure by Service Area	198,100

COMMITTEE *for* HOME AFFAIRS

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
		<u>Net Expenditure by Category</u>	
2,213	2,453	Operating Income	2,496
		Non Formula-Led Expenditure	
29,038	29,594	Pay costs	31,565
		Non Pay costs	
555	773	<i>Staff Non Pay costs</i>	1,006
1,172	1,264	<i>Support Services</i>	1,302
1,450	1,408	<i>Premises</i>	1,528
75	108	<i>Third Party Payments</i>	108
226	227	<i>Transport</i>	223
1,565	1,779	<i>Supplies & Services</i>	1,729
5,043	5,559		5,896
31,868	32,700	Net Non Formula-Led Expenditure by Category	34,965

COMMITTEE *for* HOME AFFAIRS

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
<u>Net Expenditure by Service Area</u>			
903	892	Administration and Central Services	781
432	436	Domestic Abuse Strategy	439
135	169	Emergency Planning	171
(18)	(20)	Gambling Control	(20)
3,860	3,958	Guernsey Fire and Rescue Service	3,924
1,117	952	Joint Emergency Services Control Centre	960
18,233	19,111	Law Enforcement	21,389
(93)	(172)	Population Management	(166)
5,755	5,767	Prison Service	5,821
1,544	1,607	Probation Service	1,666
31,868	32,700	Net Expenditure by Service Area	34,965

POLICY & RESOURCES COMMITTEE – CORE SERVICES

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
<u>Net Expenditure by Category</u>			
1,625	1,638	Operating Income	1,325
Non Formula-Led Expenditure			
7,840	8,094	Pay costs	8,990
		Non Pay costs	
6	55	Staff Non Pay costs	61
1,411	717	Support Services	966
4	8	Premises	8
991	990	Third Party Payments	3,010
1	1	Transport	1
116	373	Supplies & Services	519
2,529	2,144		4,565
8,744	8,600	Net Non Formula-Led Expenditure by Category	12,230
Formula-Led Expenditure			
1,980	2,040	Third Party Payments	2,050
1,980	2,040	Formula-Led Expenditure by Category	2,050
10,724	10,640	Total Net Expenditure by Category	14,280

POLICY & RESOURCES COMMITTEE – CORE SERVICES

2020	2021		2022
Actual	Original		Budget
£'000s	Budget		£'000s
	£'000s		
<u>Net Expenditure by Service Area</u>			
-	-	<i>Alderney Air Routes PSO</i>	2,000
178	182	<i>Central Services</i>	191
1,092	1,259	<i>External Affairs</i>	1,532
4,047	4,461	<i>Revenue Service</i>	4,891
833	869	<i>Policy & Strategy</i>	986
1,723	938	<i>Treasury</i>	1,725
7,873	7,709		11,325
41	58	Commonwealth Parliamentary Association	58
830	833	HE Lieutenant Governor	847
8,744	8,600		12,230
<u>Formula-Led Expenditure</u>			
1,980	2,040	Payments to States Members	2,050
1,980	2,040		2,050
10,724	10,640	Net Expenditure by Service Area	14,280

SCRUTINY MANAGEMENT COMMITTEE

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
<u>Net Expenditure by Category</u>			
Non Formula-Led Expenditure			
469	460	Pay costs	470
-	2	Non Pay costs	2
40	61	<i>Staff Non Pay costs</i>	61
2	4	<i>Support Services</i>	4
7	13	<i>Premises</i>	13
		<i>Supplies & Services</i>	
49	80		80
518	540	Net Non Formula-Led Expenditure by Category	550

DEVELOPMENT & PLANNING AUTHORITY

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
<u>Net Expenditure by Category</u>			
1,290	1,257	Operating Income	1,322
Non Formula-Led Expenditure			
2,305	2,402	Pay costs	2,335
		Non Pay costs	
13	71	Staff Non Pay costs	57
141	90	Support Services	84
1	1	Premises	1
16	19	Transport	17
18	19	Supplies & Services	18
189	200		177
1,204	1,345	Net Non Formula-Led Expenditure by Category	1,190
<u>Net Expenditure by Service Area</u>			
92	159	Building Control	62
(11)	132	Planning Control	84
426	442	Planning Support	441
697	612	Policy & Conservation	603
1,204	1,345	Net Expenditure by Service Area	1,190

OVERSEAS AID & DEVELOPMENT COMMISSION

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
<u>Net Expenditure by Category</u>			
Non Formula-Led Expenditure			
40	41	Pay costs	30
		Non Pay costs	
1	-	<i>Staff Non Pay costs</i>	-
4	-	<i>Support Services</i>	10
2,036	2,279	<i>Third Party Payments</i>	3,180
-	-	<i>Supplies & Services</i>	5
2,041	2,279		3,195
2,081	2,320		3,225

STATES' TRADING SUPERVISORY BOARD

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
<u>Net Expenditure by Category</u>			
1,388	1,981	Operating Income	2,213
Non Formula-Led Expenditure			
1,919	2,022	Pay costs	2,093
		Non Pay costs	
32	91	Staff Non Pay costs	74
656	798	Support Services	975
100	139	Premises	198
16	38	Transport	29
221	238	Supplies & Services	244
1,025	1,304		1,520
1,556	1,345	Net Non Formula-Led Expenditure by Category	1,400
<u>Net Expenditure by Service Area</u>			
1,216	1,005	Alderney Airport	1,060
344	337	Central Services	340
(4)	3	Shareholder Executive	-
1,556	1,345	Net Expenditure by Service Area	1,400

ROYAL COURT

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
<u>Net Expenditure by Category</u>			
1,925	1,936	Operating Income	1,935
Non Formula-Led Expenditure			
3,820	3,664	Pay costs	3,755
18	29	Non Pay costs	49
646	257	Staff Non Pay costs	245
215	283	Support Services	239
50	-	Premises	-
6	7	Third Party Payments	7
202	286	Transport	250
		Supplies & Services	
1,137	862		790
3,032	2,590	Net Non Formula-Led Expenditure by Category	2,610
<u>Net Expenditure by Service Area</u>			
909	851	Bailiff's Office	880
342	419	Client Services	391
964	945	Court Services	985
817	375	Parliament	354
3,032	2,590	Net Expenditure by Service Area	2,610

LAW OFFICERS

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
		<u>Net Expenditure by Category</u>	
362	163	Operating Income	183
		Non Formula-Led Expenditure	
5,476	5,672	Pay costs	5,871
		Non Pay costs	
87	117	Staff Non Pay costs	125
123	79	Support Services	196
25	25	Premises	45
-	1	Transport	1
102	149	Supplies & Services	145
337	371		512
5,451	5,880	Net Non Formula-Led Expenditure by Category	6,200

POOLED BUDGETS

2020 Actual £'000s	2021 Original Budget £'000s		2022 Budget £'000s
<u>Net Expenditure by Category</u>			
Non Formula-Led Expenditure			
527	525	Pay costs	500
527	525	Net Non Formula-Led Expenditure by Category	500
<u>Net Expenditure by Service Area</u>			
527	525	Children and Young People's Plan <i>Multi-Agency Support Hub</i>	500
527	525	Net Expenditure by Service Area	500

GUERNSEY AIRPORT

2020 Actual £'000s	2021 Original Budget £'000s	2021 Probable Outturn £'000s		2022 Budget £'000s
<u>Net Expenditure by Category</u>				
Income				
184	333	68	<i>Advertising, picketing etc</i>	414
157	482	159	<i>Airport development charge</i>	626
311	555	166	<i>Car parking fees</i>	704
911	1,650	1,204	<i>Rents</i>	2,175
2,445	5,646	2,435	<i>Traffic receipts</i>	6,988
192	137	187	<i>Recovery from Alderney Airport</i>	194
4,200	8,803	4,219		11,101
Expenditure				
(7,938)	(8,219)	(7,781)	Pay costs	(8,325)
Non Pay costs				
(116)	(189)	(158)	<i>Staff Non Pay costs</i>	(242)
(1,301)	(1,326)	(1,286)	<i>Support Services</i>	(1,527)
(1,245)	(1,511)	(1,501)	<i>Premises</i>	(1,454)
(220)	(119)	(142)	<i>Transport</i>	(138)
(2,536)	(2,264)	(2,672)	<i>Supplies & Services</i>	(2,682)
(5,418)	(5,409)	(5,759)		(6,043)
(9,156)	(4,825)	(9,321)	Operating deficit before depreciation	(3,267)
(916)	(1,123)	(996)	Depreciation	(1,092)
(10,072)	(5,948)	(10,317)	Deficit for the year	(4,359)
<u>Net Income / (Expenditure)</u>				
<u>by Service Area</u>				
(1,781)	(1,680)	(1,643)	Administration	(1,826)
184	333	68	Advertising, picketing etc	404
(2,427)	(2,313)	(2,109)	Aerodrome Fire Service	(2,353)
(2,553)	(3,078)	(2,908)	Airport infrastructure	(3,223)
(2,459)	(2,241)	(2,624)	Airport security	(2,772)
311	555	166	Car parking fees	704
(4,136)	(4,316)	(4,256)	Navigational services	(4,358)
192	137	187	Recovery from Alderney Airport	193
911	1,650	1,204	Rents	2,350
2,602	6,128	2,594	Traffic receipts	7,614
(9,156)	(4,825)	(9,321)	Operating deficit before depreciation	(3,267)
(916)	(1,123)	(996)	Depreciation	(1,092)
(10,072)	(5,948)	(10,317)	Deficit for the year	(4,359)

GUERNSEY AIRPORT

2020 Actual £'000s	2021 Original Budget £'000s	2021 Probable Outturn £'000s		2022 Budget £'000s
<u>Capital Expenditure</u>				
(211)	(50)	(271)	Miscellaneous Capital Works	(150)
-	(390)	(304)	IT Projects and Equipment	(496)
(503)	(1,181)	(1,341)	Equipment, Machinery and Vehicles	(970)
(714)	(1,621)	(1,916)	Routine Capital Expenditure	(1,616)
(10)	-	-	Airport Pavements Project	-
(162)	(4,686)	(1,542)	Hold Baggage Project	(3,256)
172	4,686	1,542	Transfer from General Revenue	3,256
(714)	(1,621)	(1,916)	Net Capital Expenditure	(1,616)

GUERNSEY HARBOURS

2020 Actual £'000s	2021 Original Budget £'000s	2021 Probable Outturn £'000s		2022 Budget £'000s
<u>Net Income by Category</u>				
7,468	8,546	7,174	Income	9,764
(3,762)	(4,331)	(4,039)	Pay costs	(4,530)
			Non Pay costs	
(75)	(142)	(78)	Staff Non Pay costs	(111)
(19)	-	(196)	Peripheral activities	(78)
(1,554)	(1,255)	(1,237)	Support Services	(1,171)
(797)	(2,168)	(1,607)	Premises	(2,335)
(43)	(106)	(78)	Transport	(99)
(280)	(485)	(502)	Supplies & Services	(479)
(2,768)	(4,156)	(3,698)		(4,273)
938	59	(563)	Operating surplus / (deficit) before depreciation	961
(1,274)	(1,300)	(1,300)	Depreciation	(1,300)
(336)	(1,241)	(1,863)	Deficit for the year	(339)

GUERNSEY HARBOURS

2020	2021	2021		2022
Actual	Original	Probable		Budget
£'000s	Budget	Outturn		£'000s
	£'000s	£'000s		
<u>Net income / (expenditure) by Service Area</u>				
1,501	1,468	2,055	Commercial Port operations	3,196
152	(104)	836	Property	861
460	299	921	Leisure	1,577
(1,567)	(1,577)	(4,338)	Non-Commercial Port operations	(4,638)
(43)	(27)	(37)	Ships Registry	(35)
435	-	-	Funding from General Revenue	-
938	59	(563)	Operating surplus / (deficit) before depreciation	961
(1,274)	(1,300)	(1,300)	Depreciation	(1,300)
(336)	(1,241)	(1,863)	Deficit for the year	(339)
<u>Capital Expenditure</u>				
-	(825)	(320)	Miscellaneous capital works	(1,235)
(19)	-	(219)	IT projects and equipment	-
(241)	(1,533)	(584)	Equipment, machinery, vehicles and vessels	(820)
(260)	(2,358)	(1,123)	Routine capital expenditure	(2,055)
(2)	-	-	Crane Strategy	-
2	-	-	Less transfer from General Revenue	-
(260)	(2,358)	(1,123)	Net capital expenditure	(2,055)

Note:

The COVID-19 pandemic has had a severe impact on the trading results of Guernsey Ports which have experienced a significant and sustained reduction in passenger numbers as a result of the travel restrictions. Guernsey Ports has not been unable to meet its operational cash requirements in 2020 and 2021 from its reserves and has utilised short-term loan facilities from the Policy & Resources Committee. The 2022 Budget Report includes a recommendation to write-off these amounts - £5million in respect of 2020 and an estimated further £12.5million in 2021.

The Policy & Resources Committee has agreed to make a loan facility of £4.5million available to Guernsey Ports in 2022.

PORTS HOLDING ACCOUNT

2020	2021	2021		2022
Actual	Original Budget	Probable Outturn		Budget
£'000s	£'000s	£'000s		£'000s
			Operating surplus/(deficit) before depreciation	
(9,156)	(4,825)	(9,321)	Guernsey Airport	(3,267)
938	59	(563)	Guernsey Harbours	961
<u>(8,218)</u>	<u>(4,766)</u>	<u>(9,884)</u>		<u>(2,306)</u>
(279)	(210)	(50)	Investment return and interest	(50)
			Capital expenditure	
(714)	(6,307)	(3,458)	Guernsey Airport	(4,872)
(260)	(2,358)	(1,123)	Guernsey Harbours	(2,055)
<u>(974)</u>	<u>(8,665)</u>	<u>(4,581)</u>	Total capital expenditure	<u>(6,927)</u>
<u>(9,471)</u>	<u>(13,641)</u>	<u>(14,515)</u>	Deficit for the year	<u>(9,283)</u>
6,318	(4,262)	(3,069)	Balance at 1 January	(16,135)
(9,471)	(13,641)	(14,515)	Deficit for the year before depreciation	(9,283)
174	4,686	1,542	Transfer from General Revenue	3,256
(90)	(89)	(93)	Loans repaid	(162)
<u>(3,069)</u>	<u>(13,306)</u>	<u>(16,135)</u>	Balance at 31 December	<u>(22,324)</u>

GUERNSEY WATER

2020 Actual £'000s	2021 Original Budget £'000s	2021 Probable Outturn £'000s		2022 Budget £'000s
<u>Net Income by Service Area</u>				
Income				
			Water Supplies	
3,757	3,830	3,873	<i>Measured</i>	3,928
1,749	1,771	1,778	<i>Unmeasured</i>	1,754
			Waste Water	
6,275	6,513	6,527	<i>Measured</i>	6,664
3,074	3,102	3,154	<i>Unmeasured</i>	3,113
1,320	1,204	1,320	<i>Cesspit emptying charges</i>	1,204
39	(13)	(13)	<i>Grant from General Revenue</i>	184
156	256	457	Surplus on other trading activities	184
<u>16,370</u>	<u>16,663</u>	<u>17,096</u>		<u>17,031</u>
Expenditure				
			Operating Expenses	
(411)	(479)	(514)	<i>Asset Management</i>	(482)
(1,293)	(1,153)	(1,332)	<i>Pumping Stations</i>	(1,294)
(3,961)	(3,892)	(4,005)	<i>Sewers</i>	(3,721)
(322)	(372)	(343)	<i>Tactical Support</i>	(383)
(464)	(958)	(521)	<i>Water Distribution</i>	(443)
(1,644)	(1,491)	(1,658)	<i>Water Production</i>	(1,572)
			Management expenses	
(848)	(812)	(873)	<i>Customer Services</i>	(909)
(1,326)	(1,563)	(1,363)	<i>Management and General</i>	(1,546)
(981)	(1,085)	(1,088)	<i>Support Services</i>	(1,188)
(517)	(522)	(465)	<i>Water Quality and Risk Management</i>	(469)
<u>(11,767)</u>	<u>(12,327)</u>	<u>(12,162)</u>		<u>(12,007)</u>
4,603	4,336	4,934	Operating Surplus before depreciation	5,024
(4,696)	(5,210)	(4,959)	Depreciation / impairment of assets	(5,193)
(31)	-	20	Gain / (loss) on disposal of fixed assets	-
<u>(124)</u>	<u>(874)</u>	<u>(5)</u>	Operating Deficit for the year	<u>(169)</u>
(205)	(343)	(285)	Net interest payable	(376)
<u>(329)</u>	<u>(1,217)</u>	<u>(290)</u>	Deficit for the year	<u>(545)</u>

GUERNSEY WATER

2020 Actual £'000s	2021 Original Budget £'000s	2021 Probable Outturn £'000s		2022 Budget £'000s
			<u>Capital Expenditure</u>	
(21)	(71)	(75)	Land	(40)
(3,836)	(5,001)	(4,404)	Infrastructure	(5,540)
(215)	(103)	(70)	Buildings	(175)
(134)	(51)	(200)	Motor vehicles	-
(73)	(41)	(534)	Office equipment	(600)
(84)	(10)	-	Intangibles	(215)
<u>(4,363)</u>	<u>(5,277)</u>	<u>(5,283)</u>	Routine Capital Expenditure	<u>(6,570)</u>

GUERNSEY WASTE

2020	2021	2021		2022
Actual	Original	Probable		Budget
£'000s	Budget	Outturn		£'000s
	£'000s	£'000s		
Net Income by Category				
Income				
Operating Income				
1,595	1,720	1,800	<i>Bag Charges</i>	1,919
2,299	2,435	2,435	<i>Household Fixed Charge</i>	2,604
1,035	1,410	1,410	<i>Commercial Gate Fees</i>	1,431
735	1,199	1,199	<i>Mont Cuet</i>	1,217
1,539	1,368	1,591	<i>Inert Waste</i>	1,936
242	225	309	<i>Household Waste Recycling Centre</i>	314
461	472	447	<i>Other</i>	490
<u>7,906</u>	<u>8,829</u>	<u>9,191</u>		<u>9,911</u>
Expenditure				
<u>(467)</u>	<u>(479)</u>	<u>(475)</u>	Pay Costs	<u>(530)</u>
Non Pay Costs				
(5)	(3)	(3)	<i>Staff Non Pay Costs</i>	(3)
(6,326)	(8,127)	(7,361)	<i>Support Services</i>	(8,046)
(329)	(338)	(348)	<i>Premises</i>	(330)
(2)	(2)	(2)	<i>Transport</i>	(2)
(1,807)	(1,748)	(2,062)	<i>Supplies & Services</i>	(2,308)
<u>(8,469)</u>	<u>(10,218)</u>	<u>(9,776)</u>		<u>(10,689)</u>
(1,030)	(1,868)	(1,060)	Operating deficit before depreciation	(1,308)
(1,905)	(1,925)	(1,926)	Depreciation	(1,956)
<u>(2,935)</u>	<u>(3,793)</u>	<u>(2,986)</u>	Operating deficit for the year	<u>(3,264)</u>
(28)	(26)	(26)	Net interest payable	(12)
<u><u>(2,963)</u></u>	<u><u>(3,819)</u></u>	<u><u>(3,012)</u></u>	Deficit for the year	<u><u>(3,276)</u></u>

GUERNSEY WASTE

2020	2021	2021		2022
Actual	Original	Probable		Budget
£'000s	Budget	Outturn		£'000s
£'000s	£'000s	£'000s		
<u>Capital expenditure</u>				
-	60	-	IT projects and equipment	60
43	260	60	Equipment, machinery and vehicles	100
43	320	60	Routine capital expenditure	160

Note:

The Waste Strategy financial model is based on breaking even over its twenty-year timeframe and decreasing volumes of general waste are forecast over the medium term. However, due to the increase in recycling and a greater than forecast decrease in general waste as a result of the combined success of the new household waste and recycling collections introduced in 2018, losses are forecast for 2021 and 2022. The Policy & Resources Committee has agreed to make a loan facility of £5.6million available to Guernsey Waste in 2022.

The States' Trading Supervisory Board has been conducting a comprehensive review of the operational and financial performance of Guernsey Waste considering the first two years' activity and anticipated developments in recyclable waste streams and waste management practice. It intends to submit a policy letter for consideration in early 2022 which, inter alia, will propose the long-term pricing strategy for Guernsey Waste.

STATES WORKS

2020 Actual £'000s	2021 Original Budget £'000s	2021 Probable Outturn £'000s		2022 Budget £'000s
<u>Net Income by Service Area</u>				
Income				
1,356	1,441	1,394	Engineering	1,516
2,742	3,066	3,005	Highways	3,090
1,797	2,112	1,900	Land Management	1,929
3,004	2,671	2,944	Sewage Collection	2,981
1,266	1,246	1,183	Stores, Fleet & Garage	1,333
3,522	3,839	3,526	Waste Management Services	3,633
			Household Waste Recycling Centre and	
2,243	3,114	2,532	Waste Transfer Station	2,506
223	268	281	Other	326
16,153	17,757	16,765		17,314
<u>Expenditure</u>				
			Management Expenses	
(950)	(847)	(662)	Administration Expenses	(710)
(1,962)	(2,131)	(2,160)	Salaries, wages and superannuation	(2,187)
			Operating Expenses	
(6,870)	(7,040)	(6,825)	Labour	(7,087)
(3,701)	(4,556)	(4,269)	Materials	(4,361)
(456)	(445)	(506)	Transport and plant	(519)
(239)	(257)	(262)	Building maintenance	(269)
(14,178)	(15,276)	(14,684)		(15,133)
1,975	2,481	2,081	Operating surplus before depreciation	2,181
(1,487)	(1,770)	(1,494)	Depreciation	(1,552)
(18)	-	114	Gain/(loss) on disposal of fixed assets	20
470	711	701	Operating surplus for the year	649
212	-	-	Net interest receivable	-
682	711	701	Surplus for the year	649
<u>Capital expenditure</u>				
-	(308)	(315)	Office equipment	(300)
(76)	(446)	(370)	Site developments	(600)
(2,245)	(1,787)	(1,411)	Vehicles, plant, tools and equipment	(1,661)
(2,321)	(2,541)	(2,096)	Routine capital expenditure	(2,561)

GUERNSEY DAIRY

2020 Actual £'000s	2021 Original Budget £'000s	2021 Probable Outturn £'000s		2022 Budget £'000s
Net Income by Service Area				
			Sales	
2,017	2,076	2,045	<i>Dairy products</i>	2,371
6,528	6,497	6,592	<i>Liquid Milk</i>	6,685
16	13	30	Sundry income	15
<u>8,561</u>	<u>8,586</u>	<u>8,667</u>		<u>9,071</u>
Expenditure				
			Cost of Sales	
(43)	(61)	(44)	<i>Dairy product ingredients</i>	(44)
(4,665)	(4,665)	(4,554)	<i>Milk</i>	(4,528)
(143)	(142)	(142)	<i>Milk working loss</i>	(150)
(80)	(84)	(55)	<i>Freight</i>	(55)
(588)	(531)	(600)	<i>Packaging materials</i>	(600)
(899)	(982)	(1,022)	<i>Production wages</i>	(1,042)
<u>(6,418)</u>	<u>(6,465)</u>	<u>(6,417)</u>		<u>(6,419)</u>
			Expenses	
(31)	(78)	(78)	<i>Advertising and promotion</i>	(79)
(62)	(54)	(51)	<i>Cleaning materials</i>	(51)
(273)	(293)	(293)	<i>Fuel, light, power, water and rates</i>	(297)
(39)	(59)	(120)	<i>General administration costs</i>	(120)
(204)	(185)	(194)	<i>Laboratory expenses</i>	(191)
(24)	(31)	(25)	<i>Motor vehicle expenses</i>	(25)
(45)	(36)	(48)	<i>Other expenses</i>	(48)
(378)	(507)	(437)	<i>Professional fees</i>	(517)
(310)	(480)	(350)	<i>Repairs, maintenance and insurance</i>	(450)
(678)	(676)	(680)	<i>Salaries and wages</i>	(699)
<u>(2,044)</u>	<u>(2,399)</u>	<u>(2,276)</u>		<u>(2,477)</u>
(8,462)	(8,864)	(8,693)		(8,896)
99	(278)	(26)	Operating surplus / (deficit) before depreciation and interest	175
(263)	(352)	(297)	Depreciation / impairment of assets	(326)
<u>(164)</u>	<u>(630)</u>	<u>(323)</u>	Operating Deficit for the year	<u>(151)</u>
(30)	(45)	(18)	Net Interest Payable	(30)
<u>(194)</u>	<u>(675)</u>	<u>(341)</u>	Deficit for the year	<u>(181)</u>

GUERNSEY DAIRY

2020	2021	2021		2022
Actual	Original Budget	Probable Outturn		Budget
£'000s	£'000s	£'000s		£'000s
<u>Capital Expenditure</u>				
(560)	(335)	(218)	Equipment, Machinery and Vehicles	(282)
-	-	(259)	Miscellaneous Capital Works	(461)
<u>(560)</u>	<u>(335)</u>	<u>(477)</u>	Routine Capital Expenditure	<u>(743)</u>
-	(1,914)	-	New Dairy Project	-
-	1,914	-	Transfer from General Reserve	-
<u>(560)</u>	<u>(335)</u>	<u>(477)</u>	Net Capital Expenditure	<u>(743)</u>

Note :

The Policy & Resources Committee has agreed to make a loan facility of £1.2million available to Guernsey Dairy, to be used exclusively to fund urgent short-term capital expenditure requirements.

GUERNSEY REGISTRY

2020 Actual £'000s	2021 Original Budget £'000s	2021 Probable Outturn £'000s		2022 Budget £'000s
<u>Net Income by Category</u>				
Income				
10,240	10,100	10,140	Operating Income	10,244
Expenditure				
(485)	(618)	(455)	Pay costs	(609)
			Non Pay costs	
(8)	(14)	(10)	Staff Non Pay costs	(14)
(307)	(296)	(289)	Support Services	(428)
(132)	(181)	(152)	Premises	(162)
(19)	(31)	(23)	Supplies & Services	(31)
(466)	(522)	(474)		(635)
9,289	8,960	9,211	Surplus transferred to General Revenue	9,000
<u>Net Income by Service Area</u>				
Company Registry				
10,108	10,003	10,075	Income	10,181
(951)	(1,140)	(929)	Expenditure	(1,244)
9,157	8,863	9,146		8,937
Intellectual Property Office				
132	97	65	Income	63
9,289	8,960	9,211	Surplus transferred to General Revenue	9,000

SUPERANNUATION FUND ADMINISTRATION

2020 Actual £'000s	2021 Original Budget £'000s	2021 Probable Outturn £'000s		2022 Budget £'000s
<u>Net Expenditure by Category</u>				
			Pay costs	
370	443	400	<i>Established Staff</i>	523
<hr/>	<hr/>	<hr/>		<hr/>
370	443	400		523
			Non Pay costs	
246	435	304	<i>Consultants Fees</i>	215
91	100	106	<i>Support Services</i>	133
<hr/>	<hr/>	<hr/>		<hr/>
337	535	410		348
<hr/>	<hr/>	<hr/>		<hr/>
707	978	810	Total Expenditure by Category	871
<hr/>	<hr/>	<hr/>		<hr/>
<u>Capital Expenditure</u>				
73	95	32	ICT System	35
<hr/>	<hr/>	<hr/>		<hr/>
73	95	32	Routine Capital Expenditure	35
<hr/>	<hr/>	<hr/>		<hr/>

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

CONTRIBUTORY FUNDS

2020 Actual £'000s	2021 Original Budget £'000s	2021 Probable Outturn £'000s		2022 Budget £'000s
<u>Net Income / (Expenditure)</u>				
<u>by Category</u>				
Income				
180,119	182,423	183,420	<i>Contribution Income</i>	170,000
16,332	16,500	16,620	<i>States Grants</i>	-
196,451	198,923	200,040		170,000
Benefit Expenditure				
(157,889)	(164,184)	(164,261)	<i>Social Insurance</i>	(166,405)
(45,066)	(47,586)	(50,286)	<i>Health Insurance</i>	-
(20,451)	(22,540)	(22,735)	<i>Long-term Care Insurance</i>	(23,545)
(223,406)	(234,310)	(237,282)		(189,950)
Administration				
(2,377)	(2,538)	(2,409)	<i>Pay Costs</i>	(2,429)
(5)	(19)	(19)	<i>Staff Non Pay costs</i>	-
(3,524)	(3,913)	(3,913)	<i>Support Services</i>	(2,560)
(63)	(71)	(71)	<i>Premises</i>	(36)
-	(6)	(6)	<i>Transport</i>	(3)
(118)	(172)	(172)	<i>Supplies & Services</i>	(77)
(6,087)	(6,719)	(6,590)		(5,105)
(80)	(120)	(120)	Depreciation	(120)
(33,122)	(42,226)	(43,952)	Operating Deficit Before Investing Activities	(25,175)
<u>Net Income / (Expenditure)</u>				
<u>by Service Area</u>				
(34,849)	(40,429)	(39,425)	Guernsey Insurance Fund	(33,195)
(5,331)	(7,859)	(10,056)	Guernsey Health Service Fund	-
7,058	6,062	5,529	Long-term Care Insurance Fund	8,020
(33,122)	(42,226)	(43,952)	Operating Deficit Before Investing Activities	(25,175)
<u>Routine Capital Expenditure</u>				
-	(250)	(250)	Miscellaneous Capital Works	(200)
(79)	(80)	(80)	Equipment, Machinery and Vehicles	(75)
(1,078)	(2,100)	(2,100)	IT Projects and Equipment	(2,000)
(1,157)	(2,430)	(2,430)	Net Routine Capital Expenditure	(2,430)

THE LADIES' COLLEGE (Senior School)

2019/2020 2020/2021			2021/2022
Actual	Budget		Budget
£'000s	£'000s		£'000s
<u>Net Income by Category</u>			
Income			
2,882	3,352	Fees	3,688
44	33	Miscellaneous Income	38
1,654	1,503	States Grant	1,365
<u>4,580</u>	<u>4,888</u>		<u>5,091</u>
Expenditure			
10	8	Art	8
6	6	Audit Fee	6
75	108	Books and Stationery	102
295	342	Depreciation	372
39	51	Examination Fees	60
99	102	Equipment and resources	117
85	113	General Administrative Expenses	152
10	16	Laboratory and Design and Technology Expenses	17
97	115	Maintenance of Buildings, Grounds and Equipment	117
15	22	Marketing and Development Expenses	31
23	25	Rates, Taxes and Insurance	26
22	36	Recruitment and Relocation	56
3,558	3,708	Salaries and Wages	3,961
22	46	Sports, conferences, field trips etc.	45
16	20	Staff training	20
91	92	Utilities	94
<u>4,463</u>	<u>4,810</u>		<u>5,184</u>
<u>117</u>	<u>78</u>	Revenue Surplus / (Deficit) for the year	<u>(93)</u>
37	20	Fundraising donations received	10
(49)	(57)	Bank Interest payable	(40)
<u>4,376</u>	<u>4,323</u>	Balance b/f from previous year	<u>4,526</u>
<u>4,481</u>	<u>4,364</u>	Balance c/f to next year	<u>4,403</u>

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

NON-CONTRIBUTORY BENEFIT RATES FOR 2022

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'Non-contributory Benefit Rates for 2022', dated 4th October 2021, 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 7th January 2022.
2. To set the benefit limitation for a person living in the community at £930 per week, from 7th January 2022.
3. To set the benefit limitation rates in relation to people not living in the community at the rates set out in Table 4 of that Policy Letter, from 7th January 2022.
4. To set the amount of the personal allowance payable to persons in Guernsey and Alderney residential or nursing homes who are in receipt of income support at £40.92 per week, from 7th January 2022.
5. To set the amount of the personal allowance payable to persons in United Kingdom hospitals or care homes who are in receipt of income support at £57.84 per week, from 7th January 2022.
6. To set the maximum rent allowances at the amounts set out in Table 6 of that Policy Letter, from 7th January 2022.
7. To set the supplementary fuel allowance paid to income support householders at £30.13 per week, from 29th October 2021 to 29th April 2022.
8. To agree that any grant received from the Committee *for* Education, Sport & Culture which is made under section 49(2)(a) of the Education (Guernsey) Law, 1970 in respect of a dependant in full-time education, as well as any earnings that the dependant in receipt of such a grant has acquired through part-time work, be disregarded from the calculation of resources to determine the amount of income support payable.
9. To set the rate of family allowance at £14.80 per week, from 3rd January 2022.

10. 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 7 of that Policy Letter, from 3rd January 2022.
11. To set the payment tariffs under the Mesothelioma Compensation Scheme at the rates set out in Table 11 in the Appendix to that Policy Letter, from 1st January 2022.
12. 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)(c) 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 2022

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

4th October 2021

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 contributory benefits be increased in 2022 by 2.3%, being the annual rate of 'core' inflation (RPIX) for the year to June 2021. This is in line with the usual uprating policy for non-contributory benefits.
- 1.2. This Policy Letter also provides an update on the Minimum Income Standard research conducted by Loughborough University's Centre for Research in Social Policy during 2021.

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, the free TV licence scheme for pensioners receiving income support and the mesothelioma compensation scheme are administered by the Committee and funded through General Revenue.
- 2.2. For 2022, the Committee recommends general increases in the rates of non-contributory benefits of 2.3%, in line with the RPIX figure for June 2021.

3. Income Support

Introduction to income support

- 3.1. Income support was introduced on 6th July 2018 as the replacement for the supplementary benefit and rent rebate systems. Income support is an in-work benefit, supporting those whose wages or earning potential, for whatever reason, is insufficient to meet their own or their family's needs. Income support also provides financial support for pensioners and people with caring responsibilities or who have a health condition or impairment that significantly affects their work capacity.
- 3.2. 'Requirement rates' are essentially a personal allowance intended to cover all daily costs of living, except for housing costs, which are separately factored in. The short and long-term requirement rates are set annually by the States. 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 and household goods. Most claims start at short-term rates, which are paid for six months. Long-term rates are payable when a claim exceeds six months in duration, or from the outset for pensioners and those with severe disabilities.
- 3.3. For householders, a rent allowance is then added to the sum of the family members' requirement rates. The rent allowance is equal to the amount the family pays in rent or mortgage interest (mortgage capital is not covered). If this exceeds the 'maximum rent allowance' which applies to their household composition, the rent allowance is capped at that maximum level. The sum of the family members' requirement rates and rent allowance is their total requirement - in other words, it is their level of need.
- 3.4. Individuals who have income that falls between their short-term and long-term requirement, do not receive a cash benefit for the first six months of their claim, but are eligible to receive payment at long-term rates from six months onwards.
- 3.5. If a non-dependant (e.g. a claimant's adult son or daughter) lives with the claimant, an assumed contribution from the non-dependant towards the claimant's rent is deducted from the claimant's rent allowance. This assumed contribution is currently £78.50 per week. If the non-dependant qualifies for income support, this amount is added to their requirement rate to determine their level of need.
- 3.6. The net amount of income that the claimant and their spouse or co-habiting partner (if relevant) receives from earnings, other benefits (e.g. family allowance, States pension, etc.) and any other sources, is then deducted from

the claimant's total requirement to determine if they have sufficient income to meet their needs. When taking into account earnings, the first £35 of a person's earnings are disregarded (and £70 if both members of a couple are in work). This is known as the 'earnings disregard' and is intended to incentivise work. If the claimant does not have sufficient income to meet their needs, the shortfall is made up through income support. However, if the family's total requirement exceeds the 'benefit limitation', the family will not receive sufficient income support to meet their needs.

- 3.7. The benefit limitation caps the total amount of weekly income that a household claiming income support can receive from all sources, including earnings. The benefit limitation for 2021 is £890 per week. It seeks to find a balance between restricting the cost of income support to the taxpayer and ensuring that the value of benefit awarded is sufficient to meet the basic needs of most islanders.
- 3.8. To ensure that the benefit limitation is sufficiently flexible to recognise the needs of larger families and to encourage claimants to maximise their incomes through employment, two further adjustments are applied:
 - Family allowance is ordinarily taken into account as income in the income support means test. In cases where a family's total requirement exceeds the benefit limitation, any family allowance that the household receives is not taken into account as income above the benefit limitation, but only up to the family's total requirement;
 - As part of the normal benefit computation, up to £35 of earnings per week are disregarded within the calculation of resources available to a single claimant, and up to £70 is disregarded if the claimant's partner is also working. When a family reaches the benefit limitation, the £35 or £70 is added on to the household's resources, after the income support payment has been calculated.
- 3.9. These two adjustments mean that, in some cases, claimants with a total requirement above the benefit limitation have sufficient income to meet their needs.
- 3.10. It should be noted that the vast majority of income support recipients have a total requirement below the benefit limitation. Of those who do have a total requirement above the benefit limitation, it is rare that they actually receive £890 per week in income support, as most of them have some form of earnings or other income which is then topped up by income support. In fact, less than 0.1% of claimants receive £890 per week. If a family's net income (i.e. after income tax, social security and occupational pension contributions) is above the benefit limitation, they will not be entitled to receive income

support at all, regardless of how far short of their total requirement their income is.

Minimum Income Standard and baskets of goods

- 3.11. Income support rates were originally derived from the costs of defined ‘baskets of goods’, the contents of which were set out as necessities of day-to-day living. An independent study conducted in 2010 by Loughborough University’s Centre for Research in Social Policy (CRSP), defined the precise contents of these baskets for different household types in Guernsey at that time. The household types studied were working age adults without children, working age adults with children, and pensioners. The report on this study, published in 2011, set out the Guernsey-specific Minimum Income Standard (MIS) budget for each household type, based on the contents of the baskets of goods.
- 3.12. Following debates on two reports of the modernisation of supplementary benefit in 2012¹ and 2013², in which only proposals on work incentivisation and amendments to legislation in the first report were approved, the Social Welfare Benefits Investigation Committee (SWBIC) was constituted as a Special Committee of the States in 2013 following a successful amendment during the 2013 debate. Its mandate was to examine the former supplementary benefit and rent rebate systems, and develop proposals to amalgamate the two schemes into one comprehensive and affordable social welfare benefits system.
- 3.13. As part of this work, SWBIC examined the baskets in the 2011 MIS report³ and modified their contents. The new, amended budgets were uprated to 2018 values and used to set the first income support requirement rates. These were implemented in July 2018, following debate of SWBIC’s Policy Letter in March 2016⁴ and some final adjustments approved by the States in February 2018⁵.
- 3.14. Short-term income support requirement rates were set significantly lower than short-term supplementary benefit requirement rates. The new long-term income support requirement rates, while much lower than the 2011 MIS rates, were substantially higher than supplementary benefit long-term requirement rates. Since then, requirement rates have been uprated each

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](#))

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 2016, Volume II, Article IX](#))

⁵ The Implementation of Income Support and Transitional Provisions ([Billet d’État VIII of 2018, Article V](#))

year in line with RPIX, but are otherwise still based on the SWBIC-adjusted baskets of goods which were created and priced in 2010 and 2011. Until 2021, there had been no further analysis on how the prices of individual items had changed, or whether those items were still an appropriate basis for income support rates more than ten years later.

- 3.15. In its Policy Letter entitled 'Non-contributory Benefit Rates for 2020'⁶, the Committee's predecessor said that it was of 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.'
- 3.16. Resources to carry out this work were secured through the 2020 budget process. CRSP was selected to undertake the work to reflect the internationally recognised MIS. However, the COVID-19 lockdown in 2020 disrupted the research and, as a result of the delay, the Committee followed the usual uprating policy for 2021 by recommending a 2.4% increase to income support requirement rates, in line with RPIX for June 2020.
- 3.17. The research to produce a new, updated MIS for Guernsey was completed in June 2021. A provisional report was submitted to the Committee in July 2021, and the final report was received in September 2021.
- 3.18. MIS methodology involves working with focus groups whose composition is identical to the household types analysed within the research. Pensioners form one group to discuss the needs of pensioners, parents discuss the needs of parents and children, and single working age adults discuss the needs of themselves and their peers. This step is undertaken to ascertain which items and services are essential to achieve a MIS in a Guernsey context. Follow-up focus groups critique and amend the decisions made by each previous group, until final baskets of goods are produced. Following this, a pricing exercise is undertaken to determine the cost of each item and service, within defined categories including food and drink, clothing and footwear, housing and household goods, personal goods and services, and leisure goods and services. The final baskets of goods and their associated Guernsey prices are referred to as 'MIS budgets'.

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

- 3.19. The Committee can report that MIS budgets have increased, as would be expected over time. Furthermore, in some cases, the contents of the baskets of goods reflect changes in a person's or household's needs over the last decade. As a result, the Committee is of the view that the updated MIS research demonstrates that the current income support requirement rates, being based on 2011 goods and services, are outdated and require correction.
- 3.20. A principal tenet of MIS research is to determine what is a minimum amount required to participate fully in society, not to set out the minimum amount that a person or household can survive on, or to identify the lowest-cost items available on-island. With this in mind, the Committee has undertaken a substantial amount of work to review the outcomes of the research.
- 3.21. In a series of workshops, the Committee has considered the overall results of the study and reviewed each of the goods and services included in the 2021 MIS budgets. This reflects the same exercise conducted by SWBIC in which it removed, amended, or reduced items in the 2011 MIS baskets in order to develop the first income support requirement rates.
- 3.22. However, due to the limited time available between the completion of the MIS research and the deadline for submission of this Policy Letter, the Committee has been unable, despite its best efforts, to work up a fully costed proposal for 2022 requirement rates based on the adjusted MIS budgets. The Committee remains of the view that income support requirement rates should be updated to reflect a more modern MIS, with appropriate adjustments applied as necessary. This requires a robust approach, including further financial modelling to determine the likely overall cost implications for General Revenue. The Committee is committed to undertaking this work as a priority and will liaise closely with the Policy & Resources Committee regarding budgetary considerations. The Committee intends to report back to the States regarding this matter no later than November 2022.
- 3.23. For 2022, the Committee recommends that income support requirement rates are increased by 2.3%, in line with RPIX for June 2021, and that the rent allowance for non-dependants is uprated by 2.3%, before being rounded to the nearest fifty pence. The proposed requirement rates and non-dependant's rent allowance are shown in Table 1 overleaf. The proposed maximum rent allowances for householders for 2022 are set out later in this Policy Letter in Table 6.

Table 1 – Proposed weekly short-term and long-term income support requirement rates for 2022 (2021 in brackets)

	Short-term rates (Up to 6 months)	Long-term rates (Over 6 months)
Householders:		
Cohabiting/married couple	£198.96 (£194.49)	£326.47 (£319.13)
Single householder	£113.88 (£111.32)	£197.18 (£192.75)
Non-householder:		
18 or over	£86.85 (£84.90)	£148.26 (£144.93)
Rent allowance	£80.50 (£78.50)	£80.50 (£78.50)
Member of a household:		
11 and over	£81.11 (£79.29)	£115.60 (£113.00)
5 – 10	£61.00 (£59.63)	£86.86 (£84.91)
Under 5	£40.90 (£39.98)	£58.13 (£56.82)

Benefit limitation

- 3.24. In the majority of cases, a person's net earnings and any benefits received, including income support, equal their total personal and family requirements, including their rent. However, in some cases, a person's income (i.e. the combination of earnings and benefits) is capped by what is called the 'benefit limitation'. The current benefit limitation is £890 per week.
- 3.25. There is sometimes a misconception that many claimants receive £890 per week in benefit. This is certainly not the case. Ignoring the effect of adjustments, such as for family allowance and the earnings disregard (as explained in paragraphs 3.8 and 3.9), a household with an income of £890 per week will not receive any financial assistance through income support, irrespective of how much their income falls short of their identified needs. The term 'benefit limitation' is perhaps misleading; in reality it is an income cap – an amount at which the States has determined that there should be no further means-tested financial support provided, regardless of whether a family's income is sufficient to meet their needs.
- 3.26. Several times over the years, the benefit limitation has been increased above inflation in order to reduce the number of households forced to live on less income than the States determines is necessary through annual approval of

the requirement rates. A 5% increase was approved by the States in December 2020, following consideration of the Committee's Policy Letter entitled 'Non-contributory Benefit Rates for 2021'⁷. While the cap was increased from £850 per week to £890 per week, research presented in the Policy Letter demonstrated that four families with three children were affected by the benefit limitation, in addition to several larger families.

- 3.27. The fact that some families with only three children reach the benefit limitation demonstrates that it does not affect only the largest of Guernsey's families. Indeed, in many cases, a family's calculated need far exceeds the benefit limitation and, as a result, the household's income falls far short of their needs. Any uplift of the income support requirement rates will increase the number of families who are affected by it, unless the benefit limitation is also uplifted by the same percentage to compensate for this.
- 3.28. Although the Committee is of the opinion that the benefit limitation should be reviewed again and substantially increased, it proposes that it be increased in 2022 by 5% to £930 per week. It is estimated that this will cost an additional £55,000 compared to the current level of £890 per week and approximately £25,000 compared to if it were uprated by RPIX to £910 per week.
- 3.29. The reason that the Committee is keen to see the benefit limitation increased is because it only affects families, and therefore directly impacts on children. Table 2 below shows the number of families and children with a total requirement above the benefit limitation at £890, £910, and £930 per week.

Table 2 – Number of families and children with a total requirement above the benefit limitation

Weekly benefit limitation	Number of claims with 2-7+ children affected by the cap						Total claims	Total children
	2	3	4	5	6	7+		
£890 (current)	2	15	19	15	6	1	58	246
£910 (+ 2.3% RPIX)	1	8	15	12	5	1	42	186
£930 (+ 5%)	0	7	14	11	5	1	38	172

- 3.30. As explained in paragraphs 3.8 and 3.9, there are two adjustments which can be made to assist households in reaching their total requirement when it is above the benefit limitation. The first is to ignore family allowance in the calculation of income available to the household up to, but not over, their total requirement. Family allowance is usually taken into account in the calculation of resources for people whose total requirement is below the cap. The second is to add the amount of earnings disregarded to the resources available to the household. This means that the household may be able to

⁷ Non-contributory Benefit Rates for 2021 ([Billet d'État XXVI of 2020, Article II](#))

reach their total requirement, but would not have any of their earnings disregarded. This disadvantages them compared with households who achieve their total requirement below the benefit limitation, who have £35 of earnings disregarded (or £70 if both members of a couple of working).

- 3.31. When these two adjustments are made, fewer claimants have insufficient resources to meet their total requirement. The effect of these adjustments is shown in Table 3 below. This demonstrates that if the proposed benefit limitation of £930 per week is approved by the States, there will be 14 families, including 73 children, who will have insufficient resources to meet their needs after these two adjustments are made..

Table 3 – Comparison of number of families affected by the benefit limitation at different levels when adjustments are taken into account

Benefit limitation	No. claims above benefit limitation before adjustments	No. claims with income below their total requirement after family allowance is ignored as income	No. claims with income below total requirement after family allowance is ignored & earnings disregard is not applied
£890 (current cap)	58	30	21
£910 (+ 2.3% RPIX)	42	25	16
£930 (+ 5%)	38	21	14

- 3.32. The current and proposed benefit limitations to be applied from 7th January 2022, are set out in Table 4 below. This includes the rarely used benefit limitations for people residing in residential homes, nursing homes, EMI (dementia care) 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 4 – Current and proposed weekly income support benefit limitations

Benefit limitation	2021	2022
Community	£890.00	£930.00
Residential homes	£587.00	£600.00
Nursing homes, EMI residents and Guernsey Cheshire Home	£841.00	£860.00

Earnings disregard

- 3.33. The earnings disregard is the amount of a person's earnings that can be disregarded when calculating their entitlement to income support. It was set, upon SWBIC's recommendation, at a flat rate of £35 per week for an individual and £70 per week for a couple if both partners are working. The disregard is reduced accordingly if a person earns less than £35 in a week. The annual cost of the earnings disregard is approximately £1.8m.
- 3.34. 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 securing a higher paid role or working overtime. This is because, until a person earns sufficient income to come off benefit entirely, every additional pound they earn results in an equal reduction in the amount of income support received.
- 3.35. The Committee recognises that the earnings disregard has its origins in the supplementary benefit scheme, which largely supported claimants for whom work was unlikely because of age, incapacity, disability or caring responsibilities. Income support, which superseded supplementary benefit, helps not only these claimants but also hundreds of people in work.
- 3.36. Work is mandatory for those income support claimants who have capacity to work. The earnings disregard has not been considered fit for the purpose of incentivising work for several years. 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.’⁸
- 3.37. Regrettably, the Committee has not progressed this work due to other priorities. The earnings disregard is a complex topic, and alternative ways of incentivising work for people in receipt of income support must be carefully considered and costed before a recommendation is made. The Committee will return to the States regarding this matter in due course. In the meantime, it proposes that the earnings disregard remains at £35 per week for 2022.

Personal allowances

- 3.38. The Committee pays a personal allowance to residents of residential or nursing homes who qualify for income support. The personal allowance is

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Non-contributory Benefit Rates for 2019 ([Billet d'État XXIII of 2018, Article X](#)).

intended to cover modest purchases, for example, newspapers, confectionery, toiletries, and family presents.

- 3.39. 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 the Committee for a personal allowance. As of September 2021, there were 11 people claiming this allowance.
- 3.40. In recent years, the rate of the personal allowance for residents of residential or nursing homes in Guernsey and Alderney was increased in two phases, concluding in 2021 when the amount payable was increased from £36.00 per week to £40.00 per week. For 2022, the Committee is proposing that the rates for residents in Guernsey and Alderney residential or nursing homes and UK institutions be increased by 2.3%, in line with inflation in June 2021. Table 5 below sets out the weekly personal allowances which currently apply, and the proposed allowances to apply from 7th January 2022.

Table 5 – Current and proposed weekly personal allowances

Personal allowance	2021	2022
Residents of local residential and nursing homes	£40.00	£40.92
Guernsey people in UK hospitals and care homes	£56.54	£57.84

Maximum rent allowances

- 3.41. The increase in a person's requirement rate to allow for rental payments is known as a rent allowance. The maximum rent allowances (MRAs) have historically corresponded to the highest rent charged for a social housing unit of the appropriate size.
- 3.42. The previous Committee agreed that the formula for setting social housing rents should be reviewed with a view to aligning the rents charged for both States-owned social housing and Guernsey Housing Association (GHA) properties. A collaborative process between the Committee and the GHA was undertaken to produce a new rent formula that would be applied to all social housing properties. After much research and financial modelling, it was agreed that a more robust rent-setting system would be implemented, based on the number of bedrooms a property had, as well as other attributes, such as having allocated parking, private outdoor space, additional bathrooms, etc.
- 3.43. Particular attention was given to the variance in thermal efficiency among existing social housing stock and the impact this has on a tenant's expenditure

on heating. A thermal efficiency value was added to the rent-setting formula to neutralise this financial impact on tenants, meaning that a less thermally efficient property would attract a lower weekly rent than a more thermally efficient property that was otherwise comparable. The Committee considers this new system for setting rents to be fairer than previous formulas, because it better reflects pricing considerations made in the private rental sector, and recognises the benefits for tenants of specific, tangible attributes.

- 3.44. This new system for setting social housing rents will be adopted by Housing and the GHA. It will result in new rental rates for the majority of social housing properties. Where rents have decreased, this change will be applied in full, with effect from 1st January 2022. Where rents have increased, a transitional approach will be taken so that no tenant will experience an increase in rent of greater than £10 per week. It is anticipated that, with annual increments, the transition to the new social housing rents will be complete within three years, by 1st January 2025.
- 3.45. As a result of the new rent formula, the range of rent prices across different property types has narrowed significantly, and the outlying higher and lower rents have been eliminated. This reduction in the highest rent for each property type means that if the MRAs for 2022 were set, as in the past, on the highest rent for each property type, they would decrease in real terms. However, not all income support recipients live in social housing. Therefore, decreasing the MRAs would have an unintended negative impact on those who rent in the private sector. Decreasing the maximum amount of rent allowance payable at a time when housing costs in that sector are increasing is not acceptable to the Committee. As a result, the Committee proposes that the current MRAs be increased for 2022 by 2.3%, in line with RPIX for June 2021, as shown in Table 6 below.

Table 6 – Current and proposed Maximum Rent Allowances

Tenancy group	Description	2021	2022
Group 1	Single with no children	£234.00	£239.38
Group 2	Couple with no children	£234.00	£239.38
Group 3	Single or couple with 1 child	£271.82	£278.07
Group 4	Single or couple with 2 children	£346.05	£354.01
Group 5	Single or couple with 3+ children	£423.02	£432.75
Group 6	Living in shared accommodation	£181.16	£185.33

- 3.46. The Committee notes that MRAs are only applied when a person's rent is equal to or more than the level of the relevant MRA. Therefore, increasing the MRAs by RPIX will not increase the rent allowances applied in respect of social housing tenants in receipt of income support as all social housing rents for 2022 will be below the proposed MRAs.

Winter fuel allowance

- 3.47. 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 for the period 30th October 2020 to 30th April 2021 was £28.89 per week, having been decreased by 2.6% compared to the winter before. This reflected the inflation adjusted cost of fuel, light and power in the year to June 2020.
- 3.48. The Committee is recommending an increase of 4.3% in the fuel allowance, taking it to £30.13 per week, for the period from 29th October 2021 to 29th April 2022. This is in line with the change in the cost of fuel, light and power in the year to June 2021⁹. It is estimated that the fuel allowance will cost approximately £1.8m over the 26-week payment period from 29th October 2021 to 29th April 2022.
- 3.49. The Committee notes that work is in progress to make some of the existing social housing properties more energy efficient, and that GHA properties are built to a high standard of thermal efficiency. As the flat-rate fuel allowance does not recognise differences in thermal efficiency, the Committee intends to review the winter fuel allowance, in line with the resolution following the debate of the Energy Policy¹⁰ 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 Q2 2021.’

Medical capital limits

- 3.50. Currently, the capital limit for an individual to receive financial assistance with medical and paramedical expenses through income support is lower than the capital limit for eligibility to receive income support. This means that some income support claimants do not qualify for medical support, and have to pay for medical expenses themselves, using their capital if necessary, until such time as their capital reduces below the limit. 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 despite qualifying for income support. As at a snapshot date in August 2021, there were 475 claims

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[Guernsey Quarterly Inflation Bulletin – Quarter 2 2021](#)

¹⁰

States of Guernsey Energy Policy 2020-2050 ([Billet d’État XI of 2020, Article VIII](#))

(involving 589 individuals) who had savings between the medical capital limit and the income support limit, who receive income support, but have to meet their own medical expenses. There were a further 256 claims who had insurance which covered their medical costs, and some of whom also had savings in excess of the relevant medical capital limit.

- 3.51. Further to Deputy Roffey's successful amendment relating to the Committee's Policy Letter entitled 'Non-contributory Benefit Rates for 2019'¹¹, the previous Committee considered alternative options to the current medical capital limits, and the preferred option was presented in the Policy Letter entitled 'Non-contributory Benefit Rates for 2020'¹². At the time, the Committee did not propose implementing its preferred option in 2020 due to budgetary constraints, and instead prioritised pursuing an increase in the benefit limitation by above RPIX.
- 3.52. The Committee is of the view that everyone entitled to income support should also be entitled to receive financial assistance with medical and paramedical expenses. However, at this time, it is not recommending any changes to the policy. The Committee acknowledges that more work is required to identify a cost neutral way of providing all income support claimants with medical cover. The Committee is also conscious of not wanting to widen 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 for unexpected, costly medical bills.

Extra Needs Allowance

- 3.53. 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. The rates of the allowances have not changed since they were introduced in 2018 when income support replaced supplementary benefit. The previous Committee concluded that several years of experience of how the extra needs allowance has worked would aid in assessing its appropriateness and effectiveness. The Committee still intends to review the allowances and does not propose that they are increased at this time.

Treatment of young people in full-time education

- 3.54. A child is considered to be a dependent member of a household for income support purposes. The meaning of 'child' for this purpose is set out in section

¹¹ Non-contributory Benefit Rates for 2019 ([Billet d'État XXIII of 2018, Article X](#))

¹² Non-contributory Benefit Rates for 2020 ([Billet d'État XXI of 2019, Article II](#))

2 of the Family Allowances (Guernsey) Law, 1950, which treats a person as a child while the person is under school leaving age, or, when in full-time education, up until the beginning of the August next following their nineteenth birthday. The importance of this is that a person claiming income support has £113.00 per week added to their requirement rate in respect of a member of their household over the age of 11 who is considered to be dependent on them for financial support. Any income that a child dependant earns from part-time work is disregarded in the calculation of resources available to the household, as well as the value of any grant paid by the Committee for Education, Sport & Culture (ESC) in respect of a child, as defined by the Family Allowances Law.

- 3.55. Even if a young person remains in full-time education when they cease to be a child, as defined in the Family Allowances Law, they are treated as a non-dependant of the household for income support purposes. This is because they are assumed to be available for employment. In practice, this means that their parent (or guardian) no longer receives a dependant's allowance in respect of them, and any of the non-dependant's weekly earnings or grant from ESC are taken into account in the calculation of resources available to the household. However, in reality the student would still be dependent on their parents (or guardian) to support them financially until they have completed their education.
- 3.56. The Committee is of the view that this policy could have a detrimental effect on a young person's ability to continue their education, and disincentivises people from obtaining further qualifications which could help them be financially secure in the future. This is contradictory to policies around in-work poverty, where it has been recognised that relative poverty can often be a generational problem, with a lack of education being a major factor in the repetition of the cycle¹³. Enabling young people from low income families to pursue higher education can help to break that cycle.
- 3.57. The Committee is of the view that a young person should continue to be treated as a dependent member of the household while they remain in full-time education, irrespective of whether they are treated as a child under section 2 of the Family Allowances (Guernsey) Law, 1950. This change in policy was implemented with effect from 7th August 2020 utilising the Committee's power under section 2 of the Income Support (Implementation) Ordinance, 1978. This power is to direct the Administrator to increase or reduce the amount of any income support which would otherwise be payable if the Committee is satisfied that such an increase or reduction would be just and equitable in all the circumstances.

¹³

Improving Living Standards Policy Letter ([Billet d'État XVI of 2020, Article IX](#))

- 3.58. The Committee is keen to put this on a formal legal footing. This can be done by amending the Income Support (Implementation) Ordinance, 1971, to provide that any grant from ESC made under section 49(2)(a) of the Education (Guernsey) Law, 1970, in respect of a dependant, shall be wholly disregarded, and not just when a person is treated as a child under the Family Allowances (Guernsey) Law, 1950. The amendment will also seek to disregard the weekly earnings of any such dependant from part-time work.

4. School uniform allowance & educational maintenance grant

- 4.1. Since 2016, the Committee has administered the school uniform allowance, which was previously managed by the Committee for Education Sport & Culture. The threshold for eligibility is linked to the income support requirement rates. The parents (or guardians) of 1,134 pupils have received the allowance in the current academic year. The amount received is dependent on household income. The maximum available for the current academic year is £346.71 for a Grammar School pupil, £322.17 for a secondary school pupil and £211.75 for a primary school pupil.
- 4.2. Educational maintenance grants are provided to low income families to encourage young people to remain in education beyond school leaving age. The grant 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 £1,431.00 per annum, but the grant is also payable at reduced rates. At the time of writing, six applications for the 2021/22 academic year had been received, of which three had been approved, one had been rejected, and two were awaiting further information.
- 4.3. The combined budget for providing these services is £180,000 for 2021. The budget for 2022 is £183,000.

5. Family Allowance

- 5.1. Family allowance is a universal benefit that has historically been paid to all families with qualifying children (under school leaving age, or until the August next following their nineteenth birthday while they are in full-time education), irrespective of the level of their household income. The allowance was reviewed following a successful amendment from Deputy Dorey to the former Social Security Department's proposals in respect of benefit and contribution rates for 2016¹⁴, which directed the Department:

¹⁴

Benefit and Contribution Rates for 2016 ([Billet d'État XVIII of 2015, Article VIII](#))

‘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.’

- 5.2. In August 2020, the States approved joint proposals¹⁵ from the Committee *for* Health & Social Care, the Committee *for* Education, Sport & Culture and the Committee, in response to the above Resolution. Following debate of the proposals, the States resolved to introduce a household income cap for the purposes of entitlement to family allowance of below £120,000 per annum and to cease payments of the allowance when a child reaches the age of 18 (the allowance stops earlier if a child ceases full-time education). Savings arising from these changes would be used to fund:
- Subsidised children’s GP and nurse appointments;
 - Subsidised children’s Emergency Department attendance and treatment;
 - Annual dental check-ups, fluoride varnish treatment and dental health education; and
 - Cultural enrichment activities in primary schools.
- 5.3. The changes are proposed to come into force on 3rd January 2022, subject to approval of the necessary legislative changes, which are proposed to be submitted for consideration by the States in December 2021.
- 5.4. The Committee is recommending that the weekly rate of family allowance is increased by 2.3% from £14.50 to £14.80 per child per week, from 3rd January 2021. Expenditure on family allowance in 2020 totalled £8.5m. It is estimated that expenditure on family allowance in 2021 will be £8.7m and the budget for 2022 is £7.0m.

¹⁵ Building a Better Future: Children’s Health & Education ([Billet d’État XVI of 2020](#), Article XIII)

6. Severe Disability Benefit and Carer's Allowance

Rates and annual income limit

- 6.1. The Committee recommends that the rates of severe disability benefit and carer's allowance, and the annual income limit for both allowances, be increased by 2.3% from 3rd January 2022, as shown in Table 7 below.

Table 7 – Current and proposed annual income limit and weekly rates of severe disability benefit and carer's allowance

	2021	2022
Severe disability benefit - weekly rate	£111.02	£113.54
Carer's allowance - weekly rate	£89.83	£91.90
Annual income limit for both allowances	£103,600.00	£106,000.00

- 6.2. Actual benefit expenditure on severe disability benefit and carer's allowance for 2018-2020 is shown in Table 8 below. The expected outturn for these benefits for 2021 and the budget for 2022 is also shown in Table 8. The increase in expenditure is due, in part, to increasing demand as a result of several factors including:

- changes to the eligibility criteria for carer's allowance which allow carers with earnings above the lower earnings limit and carers who qualify for short-term social insurance benefits to qualify for carer's allowance if they meet the other eligibility criteria,
- ongoing promotion of the benefits, and
- an ageing population.

Table 8 – Expenditure on severe disability benefit and carer's allowance

	2018 Actual £m	2019 Actual £m	2020 Actual £m	2021 Forecast £m	2022 Budget £m
Expenditure	6.3	6.3	6.7	7.5	7.8

Review of carer's allowance

- 6.3. Following the debate of the 2016 Policy Letter on the Supported Living and Ageing Well Strategy¹⁶, the States resolved that an investigation of the implications of extending the Long-term Care Insurance Scheme to include care and support at home should be undertaken. It was agreed that the investigation should include a review of benefits such as severe disability

¹⁶ The Supported Living and Ageing Well Strategy ([Billet d'État III of 2016, Volume II, Article XIV](#))

benefit and carer's allowance. The Committee regrets that this review has not commenced, predominantly due to a lack of available resources. However, it remains of the view that a review of the current rate and model of carer's allowance should be undertaken when resources allow.

7. Free TV licences

- 7.1. From 1st September 2016, the free TV licence scheme for all persons aged 75 and over was closed to new entrants. From this date, only those people who had reached the age of 75 before 1st September 2016 and people over pension age who were in receipt of income support were entitled to a free TV licence, the latter cohort being funded by the Committee.
- 7.2. The BBC then further amended its policy so that, from 1st January 2020, it has only issued free TV licences to residents in Guernsey and Alderney aged over 75 years in receipt of income support. Income support claimants aged between pension age and 75 continue to be eligible for a free TV licence funded by the Committee. That cost is anticipated to be approximately £15,000 in 2022.
- 7.3. Following a recommendation made by the Committee, and consultation with the relevant authorities in Alderney and Sark, the Policy & Resources Committee has sent a formal request for the Simple Payment Plan for TV licence fee payments to be extended to cover the entire Bailiwick.
- 7.4. The Simple Payment Plan was introduced for UK TV Licence fee payers in April 2020 via the Communications (Television Licensing) (Amendment) (No.2) Regulations, 2020, as an affordable way to pay for a TV licence. The scheme was set up to help those who currently struggle to pay the TV licence fee by allowing customers to pay for their TV licence in equal fortnightly and monthly instalments throughout the year. The Simple Payment Plan also offers flexibility if a payment is missed, as it can be spread across the remainder of the plan instead of a customer having to pay double the amount next time. It is only available to people who satisfy certain eligibility criteria. These include people who have received advice from a qualifying debt advice charity, people who have previously failed to make payments on a TV licence, and people who may face enforcement for non-payment of a TV licence. In summary, the Simple Payment Plan improves the payment options that the BBC already provides to Islanders at no additional cost to the States.
- 7.5. The Committee *for* Employment & Social Security will be engaging further with the UK's Department for Digital, Culture, Media and Sport and the BBC to implement the extension of the Simple Payment Plan to the Bailiwick.

8. Asbestos compensation scheme

- 8.1. The scheme provides a single payment to people living in Guernsey or Alderney who have been exposed to asbestos and developed diffuse mesothelioma. Other asbestos-related conditions are not covered by the scheme. The scheme is currently being administered on an extra-statutory basis, but it will be put on a statutory footing in due course, subject to the normal legislative prioritisation process.
- 8.2. People who were diagnosed with diffuse mesothelioma before 1st January 2020 were able to make a retrospective application for payment until 31st March 2021. Thereafter, a person must make an application within 12 months of diagnosis. Payments are made according to a set tariff based on the age of the eligible person at the date of diagnosis, as set out in Table 11 in the Appendix to this Policy Letter.
- 8.3. To date, seven applications have been received in relation to people with a diagnosis of diffuse mesothelioma. The cost of the scheme during the first year of take-on is estimated to be £150,000. Annual expenditure is expected to be £100,000 in 2022.
- 8.4. The Policy Letter¹⁷ that set out the details of the proposed compensation scheme stated that:
- ‘Awards would be single payments based on the person’s age at diagnosis, with rates equal to the 2021 Jersey payments, uprated by Guernsey RPIX each year...’
- 8.5. In accordance with this policy, the Committee recommends that the awards are increased, with effect from 1st January 2022, by 2.3%, in line with RPIX for June 2021. The current rates of compensation and the proposed new rates for 2022 are set out in Table 11 in the Appendix to this Policy Letter.

9. Non-contributory services funded from General Revenue

- 9.1. This Policy Letter is about the non-contributory benefit rates for 2022, 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.
- 9.2. Table 9 overleaf summarises the impact of the proposed benefit rates on expenditure for 2022. This table also includes the 2021 revised forecast at the time of writing, and the actual expenditure figures for 2018-2020.

¹⁷ Diffuse Mesothelioma Payment Scheme ([Billet d’État XI of 2020, Article XII](#))

Table 9 – Summary of Social Security benefits funded from General Revenue

	2018 Actual £m	2019 Actual £m	2020 Actual £m	2021 Forecast £m	2022 Budget £m
Income support ¹⁸	31.1	41.1	46.9	46.6	47.1
Family allowance	8.4	8.5	8.5	8.7	7.0
Severe disability benefit & carer's allowance	6.2	6.3	6.7	7.5	7.8
Diffuse mesothelioma	-	-	-	0.2	0.1
Concessionary TV licence ¹⁹	0.5	0.2	-	-	-
General Revenue grant to GIF	16.1	16.7	16.2	16.6	-
Sub-total formula led expenditure	62.3	72.8	78.3	79.6	62.0
School uniform allowance & educational maintenance grant	0.2	0.2	0.2	0.2	0.2
Administration	2.4	2.7	2.6	2.8	3.1
Others ²⁰	0.3	0.3	0.3	0.3	0.1
Sub-total non-formula led expenditure	2.9	3.2	3.1	3.3	3.4
Total expenditure	65.2	76.0	81.4	82.9	65.4

Income support expenditure

- 9.3. During 2020, the period of lockdown had a significant impact on claim numbers and expenditure. The number of claims rose to a peak of 4,536. The reduction in claims following the exit from lockdown was rapid, but income support expenditure in 2020 was nonetheless higher than budgeted, totalling £46.9m, £4.1m higher than the budget for the year. During the 2021 lockdown, the number of income support claims increased again, peaking at 3,867. At the time of writing, the forecast for 2021 is £46.6m, which is £0.8m lower than the original budget of £47.4m. This is because the 2021 budget assumed that some claims, which had commenced as a result of COVID-19, would be ongoing. In reality, a number of COVID-19 claims closed more quickly than anticipated.

¹⁸ Formerly known as the supplementary benefit scheme until July 2018.

¹⁹ From January 2021, free TV licences are only available to income support claimants over pension age, which is factored into the income support budget. TV licences for income support claimants over 75 are funded by the BBC.

²⁰ Others include back to work schemes, charitable grants, and miscellaneous expenditure.

Income support claim data

- 9.4. As at 4th September 2021, there were 3,197 active income support claims, as set out in Table 10 below. These claims include 2,238 dependants, of which 1,722 are children, giving a total income support population of 5,435 people.
- 9.5. 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 in Law, however, 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 10. This table also shows how many claims on the snapshot dates were made as a result of the COVID-19 pandemic.

Table 10 – Income support claims and expenditure

Classification	Claims at 1st August 2020	Claims at 4th September 2021	2020 Actual (£m)	2021 Forecast (£m)	2022 Budget (£m)
Pensioner	893	920	6.9	7.0	7.2
Incapacitated	571	626	7.6	8.1	8.4
Jobseeker or low earner	792	814	12.3	13.0	13.4
Single parent	332	320	8.3	8.4	8.6
Disabled	208	206	2.6	2.6	2.7
Work requirement met	228	208	3.0	2.9	3.0
COVID-19	378	3	2.1	0.8	-
Other ²¹	54	100	0.8	0.6	0.5
Total (excl. dependants)	3,456	3,197	43.6	43.4	43.8
Special Grants ²²			3.1	3.1	3.3
Rent Rebate Transition			0.2	0.1	-
Total			46.9	46.6	47.1

- 9.6. 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 receipt of benefit. For instance, in September 2021, 46.6% of those categorised as single parents were 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, these claimants do not earn enough for their household to enjoy a reasonable standard of living, which is why they receive a top-up from income support.

²¹ Includes carer, pregnant, prisoner's spouse, partner in hospital and a small number of claimants whose classification is unknown.

²² Includes special grants in respect of medical expenses, disability, funeral expenses and other miscellaneous expenses.

10. Compliance with Rule 4 of the Rules of Procedure

- 10.1. Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, Propositions laid before the States.
- 10.2. The majority of the proposals in this Policy Letter are considered business as usual. In accordance with Rule 4(1)(a), the Committee confirms that Proposition 8 supports the objective under Priority 3 of the Government Work Plan ('Delivering Recovery Actions') to promote education, skills and learning.
- 10.3. In accordance with Rule 4(1)(b), it is confirmed that the Policy & Resources Committee has been kept informed of the Committee's intentions throughout the drafting of this Policy Letter.
- 10.4. In accordance with Rule 4(1)(c), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.
- 10.5. In accordance with Rule 4(1)(d), estimates of the financial implications to the States of carrying the proposals into effect are set out in Table 9 of this Policy Letter.
- 10.6. In this Policy Letter, the Committee has set out its proposals for non-contributory benefit rates for 2022. In accordance with Rule 4(2)(a), it is confirmed that the Propositions 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.'
- 10.7. In accordance with Rule 4(2)(b), 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

M R Thompson
Non-States Member

R J Le Brun
Non-States Member

APPENDIX**Table 11 – Current and proposed payment tariffs for 2022 under the Mesothelioma Compensation Scheme**

Age of eligible person at date of diagnosis or date of death	2021		2022	
	Eligible person	Eligible relative	Eligible person	Eligible relative
<= 37	£94,750	£49,310	£96,929	£50,444
38	£92,908	£48,249	£95,045	£49,359
39	£91,070	£47,191	£93,165	£48,276
40	£89,231	£46,134	£91,283	£47,195
41	£87,389	£45,077	£89,399	£46,114
42	£85,550	£44,019	£87,518	£45,031
43	£84,632	£43,006	£86,579	£43,995
44	£83,707	£41,985	£85,632	£42,951
45	£82,791	£40,980	£84,695	£41,923
46	£81,870	£39,968	£83,753	£40,887
47	£80,950	£38,959	£82,812	£39,855
48	£78,379	£37,717	£80,182	£38,584
49	£75,803	£36,471	£77,546	£37,310
50	£73,224	£35,233	£74,908	£36,043
51	£70,651	£33,994	£72,276	£34,776
52	£68,068	£32,754	£69,634	£33,507
53	£66,231	£31,736	£67,754	£32,466
54	£64,393	£30,727	£65,874	£31,434
55	£62,557	£29,716	£63,996	£30,399
56	£60,709	£28,697	£62,105	£29,357
57	£58,870	£27,688	£60,224	£28,325
58	£54,088	£24,888	£55,332	£25,460
59	£49,303	£22,078	£50,437	£22,586
60	£44,526	£19,275	£45,550	£19,718
61	£39,740	£16,467	£40,654	£16,846
62	£34,958	£13,659	£35,762	£13,973
63	£32,012	£12,856	£32,748	£13,152
64	£29,066	£12,061	£29,735	£12,338
65	£26,127	£11,245	£26,728	£11,504
66	£23,182	£10,442	£23,715	£10,682
67(+)	£20,240	£8,164	£20,706	£8,352
68	£19,640		£20,092	
69	£19,038		£19,476	

Age of eligible person at date of diagnosis or date of death	2021		2022	
	Eligible person	Eligible relative	Eligible person	Eligible relative
70	£18,446		£18,870	
71	£17,848		£18,259	
72	£17,252		£17,649	
73	£16,743		£17,128	
74	£16,224		£16,597	
75	£15,728		£16,090	
76	£15,229		£15,579	
77+	£14,722		£15,061	