

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ANNUAL BUDGET FOR 2023

The States are asked to decide whether, after consideration of the States of Guernsey Annual Budget for 2023, they are of the opinion:-

1. To authorise the Policy & Resources Committee to make a transfer from General Revenue to Guernsey Ports equivalent to the balance of Guernsey Ports' short-term loan facility as at 31 December 2022; and to approve provision within the 2023 Budget for the transfer of £6.2million to Guernsey Ports to fund its 2023 deficit.
2. To extend the period for the withdrawal of mortgage interest relief on a Principal Private Residence so that relief will be available for an individual as follows:

2023	£3,500
2024	£2,000
2025	£1,000
2026 and subsequent years of charge	£nil

3. To increase the limit on the amount of income tax payable by an individual resident in Guernsey in respect of qualifying income from £130,000 to £150,000 and, in the case of such an individual in respect of both qualifying and non-qualifying income, from £260,000 to £300,000; and in paragraph 1 of the Sixth Schedule to the Income Tax (Guernsey) Law, 1975 –
 - (a) for "£130,000" in both places appearing to substitute "£150,000"; and
 - (b) for "£260,000" in both places appearing to substitute "£300,000".
4. To exempt from income tax payments made to sponsors under the Ukraine Sponsorship Scheme.
5. To agree that the annual tax-free lump sum limit for a pension scheme remains at £203,000 for 2023.
6. To introduce penal measures to apply to unauthorised payments made from approved pension schemes, within the meaning of section 150 of the Income Tax (Guernsey) Law, 1975 and retirement annuity schemes and retirement annuity trust schemes approved under section 157A of the Law, in the form of a higher rate of tax at 50% (with the ability for the Revenue Service to abate that liability, if just and reasonable in the circumstances), in the manner set out in paragraph 2.15 of this Report.

7. With retrospective effect to 27 June 2012, and in the manner set out in paragraph 2.18 of this Report, to confirm the disallowance of (i) further transfers or contributions being made into any new exempt pension contract or exempt pension trust within the meaning of section 157E of the Income Tax (Guernsey) Law, 1975; and (ii) the approval of any new such contract or trust.
8. With effect from 1 January 2023, to reduce the amount of tax relief in respect of interest paid on money borrowed for the acquisition, construction, reconstruction or repair of a domestic dwelling, situated in the Bailiwick of Guernsey, allowable under section 2 of the Income Tax (Tax Relief on Interest Payments) (Guernsey) Ordinance, 2007 as amended, as follows:

	% of Interest Paid eligible for tax relief
2023	75%
2024	50%
2025	25%
2026 and subsequent years of charge	0%

with no such relief in respect of a domestic dwelling available to be carried forward to the first year of letting (should that be after 2026).

9. 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 2023 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 and includes, where relevant, any Ordinance, regulation or Resolution of the States made under that Law.

FIRST SCHEDULE
Year of Charge 2023

This schedule specifies the allowances claimable by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate. All allowances are subject to the following conditions –

- (i) the allowances shall be pro-rated for an individual who is solely or principally resident in the years of that individual'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 an individual 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 States 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 individual'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 individual's allowances and withdrawable deductions are reduced at a ratio of £1 of allowances and withdrawable deductions for every £5 that that individual's calculated income is above the limit of £90,000 (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 individual standard rate on £13,025.
2. Dependent Relative Allowance *	<p>In respect of each dependent relative - tax at the individual standard rate on £4,225 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 £8,800 the allowance shall be reduced to tax at the individual standard rate on such sum as remains after subtracting from £4,225 the sum of £1 for every pound by which the dependent relative's income exceeds £8,800.</p>
3. Infirm Person's Allowance *	Tax at the individual standard rate on £4,225
4. Housekeeper Allowance	Tax at the individual standard rate on £4,225
5. Charge of Children Allowance *	Tax at the individual standard rate on £8,850
6. Retirement Annuity Allowance	Tax at the individual standard rate on a sum equal to the qualifying premiums or contributions.

SECOND SCHEDULE

This schedule prescribes the 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 the child 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 of them 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 the child were the child of that cohabitee.
 - (4) In computing the amount of a child's income in the child's 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 individuals 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 the claimant's own expense maintains or contributes towards the maintenance of a person being a relative of the claimant; and
 - (b) that the person so maintained is prevented by incapacity due to old age or infirmity from maintaining themselves; 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 individuals 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 compelled to maintain or employ an individual solely for the purpose of having care of the claimant;

Provided that the allowance shall not be granted by reason of infirmity unless throughout the year the claimant was permanently incapacitated by physical or mental infirmity.
 - (b) if such an individual is a relative of the claimant and if the claimant is entitled to any other allowance in the First Schedule in respect of that individual, that the claim to that other allowance 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 Infirm Person's Allowance shall be allowed to any claimant for any year.

Housekeeper Allowance

- (1) The conditions to be fulfilled to entitle a 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 and if the claimant is entitled to any other allowance in the First Schedule in respect of that person, that the claim to that other allowance 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 to a dependent relative allowance 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 to a dependent relative allowance 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 must 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 Charge of Children 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) of the Income Tax (Guernsey) Law, 1975 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 is a beneficiary.
- (2) Subject to the provisions of paragraph (3) 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 charge.
- (3) Notwithstanding the provisions of paragraph (2) 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 charge, 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 marked 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 | If at the commencement of the year of charge the claimant's spouse is living with the claimant as a married couple, 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 allowance to which the claimant would otherwise be entitled shall cease to be the claimant's and shall become part of the allowance of the claimant's spouse, such election, once made, to be irrevocable in respect of that year of charge.

Provided that, should the marriage or 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 eligible for transfer.

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 civil partnership end in the year of charge, by reason of death, the full unused allowance is transferrable.

Where an election is made to transfer an allowance under this paragraph, that part of the allowance that is unused will be transferred upon receipt of a claim in the transferor's or transferee's tax return.

(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 at the commencement of the year of charge, 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.

Provided that, should the couple cease to cohabit in the year of charge, 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 eligible for transfer.

Provided also that, should the couple cease to co-habit in the year of charge, by reason of death, the full unused allowance is transferrable.

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

Where an election is made to transfer an allowance under this paragraph, that part of the allowance that is unused will be transferred upon receipt of a claim in the transferor's or transferee's tax return.

10. To approve the draft Ordinance entitled “The Excise Duties (Budget) Ordinance, 2022” and to direct that the same shall have effect as an Ordinance of the States.
11. To endorse the intention of the Policy & Resources Committee to recommend, in the 2024 Budget Report, the introduction of a mechanism to charge enhanced TRP tariffs for derelict land and greenhouse sites and unoccupied buildings (residential and commercial).
12. To endorse the intention of the Policy & Resources Committee to recommend, in the 2024 Budget Report, the introduction of a mechanism to charge enhanced TRP tariffs for buildings and sites which have planning permission but the development has not been completed within three years.
13. To approve the draft Ordinance entitled “The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2022” and to direct that the same shall have effect as an Ordinance of the States.
14. To approve the draft Ordinance entitled “The Document Duty (Rates) (Amendment) Ordinance, 2022” and to direct that the same shall have effect as an Ordinance of the States.
15. To approve the draft Ordinance entitled “The Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2022” and to direct that the same shall have effect as an Ordinance of the States.
16. To endorse increasing the rates and changing the bands of tax imposed on the first registration of motor vehicles (known as First Registration Duty), to result in the rates and bands as set out in the Table in paragraph 2.55 of this Report, effective from 1 January 2023.
17. To approve ordinary revenue expenditure for 2023 totalling £573.1million as set out in the table in paragraph 3.6 of this Report and the revenue expenditure budgets on pages 79 to 96;
18. To approve the following Budgets for the year 2023:
 - (a) Guernsey Ports
 - (b) Guernsey Water
 - (c) Guernsey Waste
 - (d) States Works
 - (e) Guernsey Dairy
 - (f) Superannuation Fund Administration
 - (g) Committee for Employment & Social Security – Contributory Funds.
19. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

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 £1.7million 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 His 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

This is the Budget for 2023 but it is presented against a longer-term backdrop of a significant structural imbalance in States' finances. The expenditure pressures set out in this Budget are indicative of underlying trends and there is little scope for raising additional revenues through the existing tax system.

The 2023 Budget projects a surplus of £33million which may appear at first glance to be a positive position. However, the surplus only takes into account revenue expenditure. It is an unavoidable fact that we must spend funds on capital – both routine replacements of £15-20million per annum plus major investment projects. Although the level of this kind of expenditure will fluctuate from year to year, if we assume that it averages £76million (in line with the 2% of GDP target), this surplus of £33million would become a **deficit** of £43million. This is our structural deficit which is real and present today.

The only way we are able to fund our agreed capital expenditure programme during this term – which the States have agreed and which totals £528million - is by using reserves accumulated in prior years. When these are exhausted, there is no way of replenishing them or of funding our capital expenditure other than by borrowing which would need to be repaid through raising additional income.

The accumulated reserves are invested and generate returns which are credited to General Revenue. The surplus for 2023 includes an estimated £27million of investment income – the majority of which arises from the reserves set aside for capital investment. Once we have spent those reserves, which we are planning to do in the medium term, we will no longer have that accompanying investment income. In addition, the rate of return on our investments can fluctuate significantly due to the volatility in worldwide investment markets. The current forecast for 2022 investment return is £nil. If this proves to be the case in 2023 or there is an investment loss, the operating surplus could easily become a deficit. This emphasises how precarious the States' financial position is becoming.

It is clear from the budget rounds in this term that expenditure pressures are increasing for existing services - even beyond the rises projected in the Funding & Investment Plan. This is particularly marked in the budget of the Committee *for* Health & Social Care where the 2023 recommended Cash Limit of £212million is an increase of £24million (12.7%) over the adjusted 2022 Cash Limit of £188million. This means that the deficit may grow at a faster rate than expected leading to our reserves being depleted sooner. As well as this pressure on the cost of existing services, there is significant demand for expansion to services and the introduction of new ones – this is manifested in the £25.7million of additional expenditure required in 2023 to deliver on the aims of the Government Work Plan and fund previously agreed service developments.

Finally, a number of our unincorporated trading assets are currently operating at a deficit – and we are having to move from a purely 'user-pays' to a partially 'taxpayer-funded' model. This further increases the amount of taxation income required. The States have recently agreed that General Revenue will fund Guernsey Waste's trading deficit and this Budget includes a provision of £6.2million for funding the deficit of the Guernsey Ports. These matters were not included as cost pressures in the Funding & Investment Plan and therefore also increase the size of the deficit.

FOREWORD

The above sets out the position on General Revenue only. In addition, the Social Security Funds are forecasting a deficit, before investment return of £14.5million in 2023.

The Core Investment Reserve is our only long-term reserve, the capital value of which is only available to be used in the exceptional and specific circumstances of severe and structural decline or major emergencies. In 2020, £50million was transferred from the Core Investment Reserve to part-fund the impact of the COVID-19 pandemic on General Revenue. The States have a policy for the target balance of the Core Investment Reserve being 100% of General Revenue income in order to provide sufficient protection. The balance of the Core Investment Reserve at the end of 2021 was £178.9million which represents 29.4% of the 2023 General Revenue income budget. An amount of approximately £430million would need to be added to this Reserve to attain the target balance of 100% of General Revenue income but appropriations can only be made if the budget moves back into an overall surplus position.

The States are operating a structural deficit today which is only being sustained by the use of reserves built up in the past. This means that actions have to be agreed in the very near future in order to maintain a sustainable financial position. Proposals will be put forward as part of the forthcoming Tax Review and decisions cannot be delayed any further. It is clear that small incremental changes to existing taxation will not address the challenges that are being and will be faced. It is unavoidable – there needs to be a fundamental change in our taxation system giving a significant and ongoing upwards shift in the amount of revenue raised.

The only alternative to raising substantially more through taxation would be commensurate reductions in expenditure. If the States do not agree a package of taxation measures to address the deficit in January 2023, there will need to be proposals to cut expenditure as part of the next Budget – maybe reductions of up to 10%. This would inevitably lead to hard-hitting and unpopular cuts to existing services and remove the capacity to introduce new services.

P T R Ferbrache
President

H J R Soulsby MBE
Vice-President

M A J Helyar
J P Le Tocq
D J Mahoney

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2023 BUDGET REPORT

Section 1: Overview

Economic Context

- 1.1 Guernsey's economy has fared well over recent years given the global pressures triggered by the COVID-19 pandemic. The strength of recovery is well established, placing Guernsey in a better position than could have been anticipated twenty-four months ago. Current estimates suggest real growth in Gross Value Added (GVA)^a of approximately 2% in 2021, which means that the contraction experienced in 2020 has been fully recovered.
- 1.2 The short-term challenges which frame the 2023 Budget are very different to those faced when compiling the previous two budgets. While some lingering expense remains for the ongoing management of COVID-19, it is no longer a crisis or consuming significant island resources. The immediate challenges now are rising prices and interest rates.
- 1.3 Globally, there is a convergence of inflation pressures being felt across all aspects of the economy. They may seem remote, but the lingering backlog in global shipping; a surge in worldwide demand after the pandemic; labour shortages; and increases in food and energy prices caused by the Russian invasion of Ukraine are having a real impact on the day-to-day lives of islanders.
- 1.4 Like the COVID-19 crisis, Guernsey has found itself somewhat insulated from the worst effects of global inflation to date. In this current climate, the Islands' energy sources have proved fortuitous. We have seen price increases, but the current expectation is that the public is unlikely to see the enormous hikes in energy prices experienced by consumers in the UK. The 9% increase in electricity prices in July was planned and facilitates infrastructure investment; and gas prices increased by 16% last October, with further increases likely.
- 1.5 However, we are not immune to the global inflationary pressures. RPIX in June 2022 rose to 7.0%, after more than a decade of benign inflation during which the measure rarely breached 3%. The interim uplifting in income support rates applied from 1st October will help alleviate the impact for those on the lowest incomes. Guernsey RPIX is not expected to reach the 12% now reported for the equivalent measure in the UK in July although it is likely to rise further in September and possibly December, but it is forecast to fall during 2023. On this basis, this Budget has been compiled with an assumption of Guernsey RPIX at 6% for 2023.
- 1.6 House prices, both purchase and rental, continue to rise, driven in a large part by our own economic success. Unemployment is low, employment is rising, and firms are actively recruiting, resulting in net migration well above average levels. However, the pressure this is placing on the housing market is becoming a limiting factor and finding suitable affordable housing is now a significant recruitment issue.

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

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- 1.7 In addition, many residents find themselves pressed by increasing housing costs. Rising interest rates, applied by the Bank of England to manage inflation, will be a relief to savers, but they further add to the difficulties of housing costs. Those with fixed rate mortgages will be sheltered until those agreements end but those on variable or tracker rate mortgages and new borrowers will face higher repayments. Renters, particularly those looking for new accommodation, will also be faced with price pressures. Tackling the availability and affordability of housing remains one of the highest priorities of this Assembly.
- 1.8 Longer term, our challenges remain unchanged. With each passing year more and more of our community retire and the working age population, without compensating migration, shrinks. Between March 2019 and March 2022, the working population shrank by 110 people, despite net immigration averaging more than 300 people per year (which is significantly above the longer-term average level of immigration of 100 people per year).
- 1.9 The 2023 Budget includes allowance for further significant spending on health services. Some of this reflects agreed changes to States' policy, such as the adoption of wider and more comprehensive drug and treatment policy in line with National Institute for Health and Care Excellence (NICE) guidelines. However, a significant proportion is a reflection of rising demand, especially as a result of the ageing population. It is our policy that, as a community, we will support those in need of care, but we must recognise that care needs resources which come at a significant cost.
- 1.10 Corporate income tax is once again under scrutiny, and Guernsey continues to participate in technical discussions on proposals from the Organisation for Economic Co-operation and Development (OECD) to reform the international tax framework. The OECD Inclusive Framework Group's proposals are seeking to address the challenges of increased globalisation and the digitalisation of the economy.
- 1.11 The two-pillar solution focuses on the world's largest Multi-National Enterprises (MNEs), ensuring those with global revenues of at least €750million would pay a minimum effective tax rate on their profits. This is a common approach with jurisdictions now considering whether they will implement these proposals. Pillar One, a minimum standard, also creates new profit allocation rules for MNEs with global turnover in excess of €20billion and profitability in excess of 10%.
- 1.12 Technical discussions on both pillars continue at an international level and extensive stakeholder engagement and data analysis is being undertaken to understand potential impacts of the various policy options. Whilst it is expected that the proposals will bring in some additional revenues, the level and timing are still uncertain, as these are impacted by MNE behavioural responses and how other jurisdictions implement the proposals.

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Government Work Plan

- 1.13 The Funding & Investment Plan is an integral part of the Government Work Plan and sets out the financial planning framework for this term of government within which the States will operate and resource. 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 As well as setting out the baseline expenditure^b, the Funding & Investment Plan 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 this government: responding to the COVID-19 pandemic; managing the effects of Brexit and meeting international standards; delivering recovery actions; and re-shaping government. The total additional funding being recommended for such initiatives in 2023 is £25.7million.
- 1.15 Overall, the revenues and expenditure projected for 2023 are broadly in line with those estimated in the Funding & Investment Plan Update once adjustment has been made for inflation. The overall position shows a small surplus available to contribute to the many capital investment and infrastructure requirements of the States. However, the surplus is no longer sufficient to cover such requirements which is necessitating, as expected in the Funding & Investment Plan, a draw down from reserves.
- 1.16 The 2022 update to the Funding & Investment Plan underlined that 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. These pressures are eroding the limited surplus and pushing the States' finances into a structural deficit.
- 1.17 A significant proportion of this pressure relates to 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 Funding & Investment Plan included an allowance of £3million per annum to address such demand pressures across health and social care services. This allowance has proved insufficient for 2023 and an increase of £4.3million is now being proposed.
- 1.18 The Policy & Resources Committee has given consideration to any contribution it might be able to make, through the tax system, to achieving the objectives of the Government Work Plan priority in relation to housing. This Budget proposes a number of measures designed to support the housing market and remove inequalities in the system. The proposals include:

^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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- A scheme to encourage downsizing through relief from Document Duty on the first £400,000 of such conveyances;
- A supplement of additional Document Duty of 2% on all residential property purchases which are not an individual's Principal Private Residence;
- The withdrawal of mortgage interest relief on domestic let property in order to level the playing field;
- A plan to introduce a penal charge, through the TRP system, for unoccupied and derelict property in order to encourage use, development and/or sale; and
- A penal charge, through the TRP system, for sites which have been granted planning permission but where development has not been completed within three years.

1.19 The resolutions of the Government Work Plan 2021-2025 (Billet d'État XV, 2021) 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."

1.20 The Policy & Resources Committee is proposing (Section 2) the following budget measures which will generate a real-terms increase in revenues of £1.7million per annum:

- Doubling the rates of Vehicle First Registration Duty which raises £950,000;
- An increase of 7.5% in commercial TRP tariffs (raising £300,000 in real-terms);
- An increase in domestic TRP tariffs which averages 8% but with no increase for properties with a TRP rating under 200 (raising £200,000 in real-terms); and
- An increase of 7.5% in the excise duty on Alcohol (raising £250,000 in real-terms).

1.21 However, to provide support to islanders during this period of high inflation and rising interest rates, a one year pause in the phased withdrawal of tax relief on mortgage interest for a principal private residence is recommended, with the maximum relief available remaining at £3,500 in 2023, instead of reducing to £2,000 as previously agreed. This measure has an anticipated revenue impact of £2million.

1.22 The other budget measures proposed are:

- A 7% increase in Personal Income Tax Allowances, increasing an individual's allowance by £850 to £13,025. This cost of this real-terms' increase in Allowances is being funded by lowering the threshold for withdrawal of personal allowances by £10,000 to £90,000;

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- An increase of 15.4% in the Income Tax caps in order to restore their real-value since they were last revised in 2019;
- An increase of 6% in the excise duty on Motor Fuel, in order to maintain its value in real-terms, increasing the duty by 4.6p per litre to 80.9p per litre (70.9p per litre for biodiesel);
- An increase of 11% in the excise duty on Tobacco products, increasing the duty on an average packet of twenty cigarettes by 69p to £6.95; 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 19% - £6.75 per unit.

1.23 The steps taken in this budget to raise additional revenues are a drop in the ocean (£1.7million in comparison to a projected requirement in the medium-term of £80-90million) with the in-year impact of these measures cancelled out by the changes to the mortgage interest relief withdrawal. The Tax Review is approaching its conclusion and proposals will be published for consideration at the January 2023 meeting of the States. The Assembly will need to make difficult decisions about the future management of the States' finances. If this is not done, each successive budget will become more difficult to balance.

Cost of Living pressures

1.24 The 2023 Budget includes specific proposals to provide support to islanders, particularly targeted at lower income households, during this period of high inflation and rising interest rates including:

- A real-terms increase in Personal Income Tax Allowances, meaning a greater amount of earnings will not be subject to income tax;
- No increase in domestic TRP tariffs for properties with a rating under 200, there will be no change in TRP charged on 74% of local market properties;
- A one year pause in the phased withdrawal of tax relief on mortgage interest for a principal private residence, with the maximum relief available remaining at £3,500 in 2023, instead of reducing to £2,000 as previously agreed. This measure will put up to £300 back in the hands of islanders (£600 for a couple).

1.25 These measures are in addition to those already approved by the States including the interim updating of income support rates and reducing and capping the increases in waste charges.

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Overall Financial Position

1.26 The following table summarises the overall position for 2022 and 2023:

	2023 Budget Estimate £m	2022 Probable Outturn £m	2022 Budget Estimate £m	2021 Actual £m
Revenue Income				
Income Tax	407	384	368	362
Other Taxes	107	102	99	110
Social Security Contributions	32	30	30	-
Miscellaneous Income	36	34	33	36
Revenue Income	582	550	530	508
Revenue Expenditure				
Cash Limits	(539)	(495)	(492)	
Budget Reserve	(22)	(19)	(12)	
COVID-19 specific provision	-	(4)	(6)	
GWP / Service Developments	(12)	(14)	(18)	
Savings to be delivered	1	-	3	
Committee Expenditure	(573)	(532)	(525)	(453)
Business Support Measures	-	-	(2)	(22)
Revenue Expenditure	(573)	(532)	(527)	(475)
Revenue Surplus	9	18	3	33
Capital Income—sale of property	3	5	3	-
Investment Return	27	-	17	43
Operating Surplus	39	23	23	76
Provision for Aurigny loss	-	(1)	(1)	(15)
Provision for Ports loss	(6)	(4)	-	(9)
Surplus	33	18	22	52
UNINCORPORATED TRADING ASSETS				
(Loss)	(9)	(9)	(8)	(12)

1.27 In 2022, additional revenue income is compensating for a significant reduction in investment income. However, the inclusion of a £4.4million grant to Guernsey Ports means that a budgeted surplus of £22million has decreased to an estimated surplus of £18million.

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- 1.28 Overall, the budgeted surplus for 2023 is a small decrease of £5million on the forecast of £38million included in the Funding & Investment Plan. This is due to the inclusion of a £6.2million provision for a grant to Guernsey Ports. However, this surplus is not sufficient to fund all of the States' expenditure – it covers day to day revenue expenditure but only makes a contribution towards the funds required to fund capital expenditure.

Revenue Income

- 1.29 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 the pace of economic recovery and its impact on income tax receipts.

2022 Revenue Income

- 1.30 Overall, the probable outturn for revenue income is £20million (3.8%) higher than budgeted.
- 1.31 The probable outturn for income tax receipts is £16million higher than the budget estimate. This is largely from distributions are forecast to be £7million (78%) in excess of budget and receipts from individuals where ETI is £6.6million (2.8%) favourable compared to budget. This is likely a result of higher inflation than had been anticipated when the 2022 budget was prepared and the upward pressure on wages as a result of this and labour supply issues.
- 1.32 In addition, the probable outturn for Document Duty is £5.5million higher than the Budget Estimate as a result of the continuing strong housing market.
- 1.33 This improvement in revenue income has been negated by the current estimate that no investment returns will be received in 2022, given the underlying economic and market conditions and their impact on world markets. However, this should be considered in the context of returns in the last three years which have averaged 10% and outperformed inflation by an average of 6% per annum.

2023 Revenue Income

- 1.34 Overall, revenue income is expected to increase in line with inflation which is consistent with the reflatd estimate included within the Funding & Investment Plan. The income tax receipts budget for 2023 includes an allowance for inflation but does not include any allowance for growth. This is considered appropriate given the high level of inflation and the anticipated time-lag between inflationary pressures and wage increases balanced by constraints currently being experienced in the labour market.

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Revenue Expenditure

2022 – Committee expenditure

- 1.35 Appendix II details the anticipated 2022 Probable Outturn for each Committee compared with budget.
- 1.36 Overall, expenditure is anticipated to be £4.8million, or just under 1%, below Authorised Budget. However, there are £3million of budgeted savings not being delivered in year.
- 1.37 In respect of COVID-19 expenditure, the 2022 budget included specific provision of £6million 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 £3.6million from this provision in order to fund:
- Undertaking a mass vaccination programme (£1.9million);
 - On-island testing (£1.1million); and
 - Travel testing (£670,000).
- 1.38 The requirement to provide additional funding for travel testing and on-island testing ended during the early part of 2022.

2023 – Committee expenditure

- 1.39 The total revenue expenditure budget proposed for 2023 is £573.1million, an increase of £48.4million compared to the 2022 budget; which is real-terms growth of over 3% (£17million).
- 1.40 There is additional provision (either within recommended Cash Limits or held in reserve) of £25.7million for delivery of Government Work Plan initiatives and service developments agreed in previous years. Section 3 sets out full details of Committee expenditure budget proposals.

Capital Income

- 1.41 A number of properties have been sold as part of the rationalisation of the States' estate and further sales are anticipated. The budget includes an allowance for £5.3million of sale proceeds in 2022 and £3million in 2023.

Provision for Aurigny Loss

- 1.42 Aurigny is projecting a small loss of £1million in 2022 which is in line with the estimate (adjusted) included in the States Trading Supervisory Board's policy letter entitled "*The Aurigny Group – Financial Sustainability*" (Billet d'État XX, 2021). It is anticipated that the airline will return to a break-even position in 2023.

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Unincorporated Trading Assets

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

	2023 Budget Estimate £'000	2022 Forecast £'000	2022 Budget Estimate £'000	2021 Actual £'000
Guernsey Ports	(6,172)	(5,263)	(4,748)	(10,077)
Guernsey Waste	(1,958)	(1,963)	(3,276)	(2,543)
Guernsey Dairy	(857)	(494)	(181)	(223)
Guernsey Water	(186)	(1,068)	(545)	(460)
States Works	625	160	649	925
Total (Loss)	(8,548)	(8,628)	(8,101)	(12,378)

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 their expenditure (including capital). If losses cannot be funded from within accumulated reserves or eradicated through income raising measures and/or expenditure reduction, there is a requirement for taxpayer funding to be made available from General Revenue.

1.45 The COVID-19 pandemic had a severe impact on Guernsey Ports which experienced a significant and sustained reduction in passenger numbers as a result of travel restrictions. Guernsey Ports was not able to commensurately reduce operating expenditure since there was still a requirement for both the Harbour and the Airport to operate.

1.46 The losses incurred by Guernsey Ports over 2020 and 2021 have totally depleted its limited reserves and meant that it was unable to meet its operational cash requirements. Therefore, General Revenue was used to fund a total of £13.9million (£5.3million in 2020 and a further £8.6million in 2021).

1.47 The Policy & Resources Committee agreed to make a loan facility of £4.5million available to the Ports in 2022 while trading recovered to more normal levels. Although passenger numbers have recovered somewhat in 2022, they remain significantly below pre-pandemic levels and it is now expected that a loss of £5.3million will be made in 2022 (with a short-term loan facility requirement of £4.4million). Furthermore, it is now expected that passenger numbers will not recover much further in 2023 and a further loss of £6.2million is forecast.

1.48 Given the prolonged period of recovery and what may be a permanent or long-term impact on passenger numbers, it is apparent that there is little realistic prospect of the Ports being able to repay any further loan facilities. Therefore, the Policy & Resources Committee is **recommending that a transfer equivalent to the balance of Guernsey Ports' short-term loan facility as at 31 December 2022 is made from General Revenue to Guernsey Ports and that the States approve provision within the 2023 Budget for the transfer of £6.2million to Guernsey Ports to fund its 2023 deficit** [Proposition 1].

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- 1.49 Clearly, this position is not sustainable and the taxpayer should not be in the position of having to fund a trading asset's losses. Therefore, the Policy & Resources Committee intends to work with the States' Trading Supervisory Board during 2023 to explore the options for future funding models for the Ports, including whether there are realistic options for incorporation or if continued tax-payer funding might be appropriate as a contribution towards the economic value created by the Ports. The Committee will report back on progress and with further recommendations in the 2024 Budget Report.
- 1.50 The Waste Strategy financial model was based on a user-pays principle designed to break even over its twenty-year timeframe. 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 were incurred and loan facilities were made available to Guernsey Waste.
- 1.51 In September 2022, following consideration of a States' Trading Supervisory Board policy letter entitled "*Future Waste Charges*" (Billet d'État XX, 2022), the States agreed that General Revenue should fund Guernsey Waste's accumulated losses before depreciation of £2.97million for 2019, 2020 and 2021 combined and for General Revenue to fund the forecast trading deficit from 2022 onwards. For 2023, the forecast trading deficit, before depreciation, is £825,000 and provision of this amount has been included in the States' Trading Supervisory Board's Cash Limit.
- 1.52 The Policy & Resources Committee has provided a short-term loan facility of up to £1.2million to the Guernsey Dairy, to fund its 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.
- 1.53 Although Guernsey Water is forecasting a loss in 2022 and 2023, it is able to fund these from its retained reserves.

Opportunities and Risks to 2023 Financial Position

- 1.54 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 slightly, or very, different to the plan.
- 1.55 In respect of the 2023 Budget there are a number of risks which could result in a materially different outcome:
- The income tax forecasts have assumed nominal growth which maintains their real-terms value. In an environment of high inflation, there is a risk that salaries and profits will not keep pace with inflation and the impact of revenues growing by 1% below inflation would be £4million;

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- In general terms, as inflation rises it leads to an increase in both States income and expenditure. As set out above, an assumption has been made that income tax and other income sources will maintain their real value and that expenditure will grow by a similar amount. In a high inflation environment there may be a mismatch between the nominal increases in income and expenditure (with expenditure rising faster than income) which can lead to a deterioration in the overall position. Each 0.25% mismatch would have a £1.5million impact on the overall surplus.
 - The housing market has been strong in both 2021 and 2022 to date with receipts of £32.3million and a forecast £26.7million respectively through a combination of high prices and higher volumes. These receipts were significantly above the average over the five pre-COVID years of £15million. A budget estimate of £25million has been made for 2023 but the actual position could be significantly less should the market slow. This is particularly relevant in the context of the rapid rise in interest rates seen in recent months which appears likely to continue for some time and may restrict the ability of buyers to borrow, potentially negatively impacting both the price and volume of sales. A fall back to pre-COVID levels (2019) could see a reduction of £7million in 2023 revenues.
 - The amount of fuel duty collected is a function of both the rate of duty (which it is proposed is increased to 80.9p per litre in 2023) and the volumes sold. Over recent years, fuel duty volumes have been declining due to increased engine efficiency and, more recently, the move to electric vehicles. An allowance for a decline of 5% has been included in the 2023 Budget, but each further 1% decrease would result in a loss of revenue of approximately £200,000.
 - The States earn investment returns on their reserves which are now attributed to General Revenue income. Based on an assumed return of inflation plus 2.5% and given the level of reserves, the 2023 budget contains an estimate of £26.6million of investment income. Although, over the long term, the assumption for returns is sound, this can fluctuate significantly over the short term. For example, in 2022 the forecast has been revised from £17.1million down to £nil due to the contraction of, and volatility in, worldwide investment markets and this could become a net loss position. A repeat of such performance in 2023 could completely eradicate the budgeted surplus position.
 - Health and Care services are experiencing strong growth in demand for services, the backlog built up during the global pandemic has not yet been addressed and this comes at the same time as a shortage of healthcare professionals able or willing to take up employment in Guernsey resulting in high reliance on short term agency staff. In 2022 this has created cost pressures and led to the Committee forecasting an overspend of £2million. Although efforts have been made to address these pressures through the 2023 budget, each 1% overspend on the Committee *for* Health & Social Care's budget would cost over £2.1million.
- 1.56 There are also opportunities for the financial position to improve in 2023. A small change to ETI can have a significant impact on revenues with 1% of growth equating to approximately £2.5million. In addition, it is possible that Committees will continue to underspend their authorised budgets.

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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. The table below illustrates the budget estimates against a reasonable alternative scenario based on the above variables:

	£'000
2023 budgeted revenue surplus	33
Income Tax revenues growing 1% below inflation	(4)
Document Duty falling to pre-COVID level	(7)
Investment returns being £nil	(27)
Overspend of 1% on Committee <i>for</i> Health & Social Care budget	<u>(2)</u>
Illustrative 2023 revenue deficit	(7)

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Section 2: Income Proposals

Personal Income Tax

2023 Personal Income Tax Allowances

2.1 **It is recommended that an individual's personal allowance is increased by £850 (7%) to £13,025.** This is 1% above 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 continue to not pay any income tax. The real-terms increase of 1% will result in a decrease in States' income tax revenues of approximately £900,000. It is proposed that this is compensated for by a reduction in the threshold at which the withdrawal of personal allowances for higher earners commences (paragraphs 2.4 to 2.5).

2.2 The personal allowance is recommended to be as follows:

	<u>2023</u>	<u>2022</u>
Personal Allowance	£13,025	£12,175

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 7% and be as follows^{cd}**

	<u>2023</u>	<u>2022</u>
Dependent relative /		
Housekeeper / Infirm Persons	£4,225	£3,950
Charge of Children	£8,850	£8,275

Withdrawal of Personal Allowances for Higher Earners

2.4 Since 1 January 2019, personal allowances, other allowances and deductions have been withdrawn from individuals whose taxable income exceeds a threshold of £100,000. The withdrawal ratio is a rate of £1 of allowance withdrawn for every £5 that a person's income exceeds the withdrawal threshold. It is estimated that this currently affects 2,500-3,000 individuals and raises an estimated £6million per annum.

2.5 The Policy & Resources Committee is **recommending that, with effect from 1 January 2023, the withdrawal threshold is lowered to £90,000.** This is estimated to increase the number of individuals who are subject to the withdrawal of personal allowances by 700 and raise an additional £900,000 per annum. The maximum impact on an individual will be £400 (£1 in £5 of £10,000 allowance withdrawn at an income tax rate of 20%) and all individuals subject to the withdrawal of allowances (not only those earning between £90,000 and £100,000) will be impacted other than those whose allowances are already fully withdrawn.

^c 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.

^d 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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Tax relief on Mortgage Interest for a Principal Private Residence

- 2.6 In April 2015, following consideration of *“The Personal, Tax, Pensions and Benefits Review”* (Billet d’État IV, 2015), the States agreed the phased withdrawal of the income tax relief provided on mortgage interest in respect of principal private residences by 2025. In accordance with the agreed schedule, the maximum amount of relief available for an individual borrower should reduce from £3,500 in 2022 to £2,000 in 2023.
- 2.7 However, to provide support to islanders during this period of high inflation and rising interest rates, the Policy & Resources Committee is **recommending a one year pause in the phased withdrawal of tax relief on mortgage interest for a principal private residence, with the maximum relief available remaining at £3,500 in 2023** [Proposition 2].
- 2.8 This measure will put up to £300 back in the hands of islanders (£600 for a couple), with an anticipated revenue impact of £2million. The Policy & Resources Committee will review the further stages of reductions in the maximum relief to £2,000 in 2024, £1,000 in 2025 and £nil from 2026 onwards as part of the preparation of the 2024 Budget.

Income Tax Caps - General

- 2.9 Since 2008 there has been a provision in the income tax legislation enabling an individual’s income tax liability to be capped (“the Income Tax caps”)^e:
- a cap applicable to non-Guernsey source income (introduced at £100,000 and increased to £110,000 from 2012 and £130,000 from 2019); and
 - a cap relating to worldwide income (introduced at £200,000 and increased to £220,000 from 2012 and £260,000 from 2019).

Note: The Income Tax caps reference a taxpayers income tax liability, not their income.

- 2.10 There are currently 25-30 individuals who take advantage of these tax caps raising income of £5-6million per annum. In order to restore the real value of these caps, **it is proposed that they are increased with effect from 1 January 2023 to £150,000 (non-Guernsey source income) and £300,000 (relating to worldwide income)**[Proposition 3].

Payments made under the Ukraine Sponsorship Scheme

- 2.11 In August 2022, the Policy & Resources Committee agreed that payments (£349 per month) can be made, under the “Ukraine Sponsorship Scheme” to help sponsor households with meeting the additional costs they incur. The Policy & Resources Committee is **recommending that payments made to islanders who are sponsors under the Ukraine Sponsorship Scheme are exempt from tax** [Proposition 4].

^e Income from Guernsey land and property and income derived from Guernsey pension / annuity schemes in relation to triviality or lump sums above the tax free limit are excluded from all Income Tax caps (General, Alderney and linked to open market purchase) and tax on this income is paid in addition to the cap amounts.

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Tax-free element of lump sums from pension schemes

- 2.12 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 2023 limit is maintained at the 2022 limit of £203,000** [Proposition 5].

Introduction of penalties for breaching pension scheme rules

- 2.13 An individual can claim tax relief for contributions made to pension schemes approved by the Revenue Service in accordance with sections 150 and 157A of the Income Tax (Guernsey) Law, 1975. Conditions of approval are put in place to ensure that the pension scheme provides members with retirement benefits for life. The Revenue Service may withdraw approval of a scheme if the facts concerning the approved scheme, or its administration, do not warrant the continuance of that approval.
- 2.14 It is **proposed that further penal measures be introduced, in the form of taxing any unauthorised payments at 50%**^f [Proposition 6] which would, in effect, be an income tax charge levied against the individual who had received the unauthorised payment. This aims to deter such payments from being made (so preventing serious breaches of the conditions for approval). Such income would also be excluded from the tax caps and standard charge (meaning the recipient would pay tax on these payments in addition to any limits on the amount of tax payable that may be in place).
- 2.15 It is also proposed that the Revenue Service would have the ability to abate the liability to tax by an amount which, having regard to the relevant circumstances, is just and reasonable. It is envisaged that this may be applicable where it is the actions of a trustee or employer, and not the actions of the individual member, which has caused the payment to be made. The legislation would make appropriate provision for appeals and review in respect of these proposals.

Closure of 157E schemes

- 2.16 In December 2011, the UK Government announced changes to their Qualifying Recognised Overseas Pension Schemes ("QROPS") regime that took effect from 6 April 2012. As these changes meant that many personal pension schemes in Guernsey would lose their QROPS status, the States resolved in March 2012 to introduce a new exempt pension regime, the section 157E scheme. This scheme would give no relief for contributions and correspondingly had no tax charge on benefits paid out.
- 2.17 The purpose of introducing section 157E was primarily to enable pension schemes to satisfy the conditions to be a QROPS. However, on 4 May 2012, HMRC introduced new regulations which specifically exclude section 157E schemes from being QROPS compliant, so that section of the Law is no longer effective for the purpose intended. All that remains therefore is a risk to domestic tax revenues without any advantages to the financial services industry.

^f An unauthorised payment is one which is not allowed by the Law, or as a condition of approval, (except for a payment which has been made with the prior agreement of the Revenue Service)

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- 2.18 A Statement was made by the Treasury and Resources Department Minister to the States of Deliberation on 27 June 2012, advising of the Department's intention to bring forward proposals to prevent new section 157E schemes being approved, or any further transfers/contributions being made into existing section 157E schemes. However, the legislation is still to be amended and, whilst no new schemes have been approved since this date, it is therefore **proposed that the Income Tax Law is amended to prevent any new schemes being approved and confirm the disallowance of any further transfers or contributions being made into existing section 157E exempt pension schemes, with retrospective effect to 27 June 2012** [Proposition 7].

Restricting Interest Relief on Domestic Let properties

- 2.19 Currently, there is no restriction on interest payments that can be claimed against rental income from domestic let property received by individuals, companies, or other entities albeit the relief is limited to the level of income generated from lettings (i.e. it cannot create a loss). By contrast, the availability of mortgage interest relief for a Principal Private Residence is being phased out.
- 2.20 The Policy & Resources Committee is **recommending that interest relief on let residential properties, situated in the Bailiwick of Guernsey, is also removed by 1 January 2026 by applying a 75% restriction on interest payments being deductible in 2023; reducing to 50% deductible in 2024; 25% deductible in 2025; and nil in 2026** [Proposition 8].
- 2.21 It is estimated that interest relief on let property is currently claimed by approximately 250 individuals and its complete withdrawal would increase revenues by £180,000 per annum (£45,000 in 2023). However, it is not known how much interest relief is claimed in respect of domestic let properties owned by a company, other vehicle or by non-residents.

Excise Duties

Alcohol

- 2.22 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)."*
- 2.23 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. However, for public health reasons, the Committee for Health & Social Care has requested that the Policy & Resources Committee recommends an increase of inflation plus 1.5% in excise duty rates for all alcohol products.

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- 2.24 The Policy & Resources Committee is recommending **an increase in the duties levied on alcohol of 7.5% from 1 January 2023** as set out in The Excise Duties (Budget) Ordinance, 2022 [Proposition 10]. This is estimated to raise an additional £1.15million per annum (£250,000 in real-terms).
- 2.25 The 2022 anticipated income from excise duty on alcohol is £16.3million which is lower than 2021 when the impact of the COVID-19 restrictions on travel meant that the opportunity to access duty free alcohol products was significantly reduced for many consumers. The 2023 Budget for income from excise duty on alcohol is £17.5million.
- 2.26 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	26.1p	2.0p	28.1p
Beer / Cider (2.8% - 4.9% ABV) - 1 pint	52.3p	3.9p	56.2p
Spirits (37.5% ABV) – 25mls	38.9p	2.9p	41.8p
Spirits (37.5% ABV) – bottle (1 litre)	£15.56	£1.17	£16.73
Light wine (5.5% to 15% volume) – 125mls	36.5p	2.8p	39.3p
Light wine (5.5% to 15% volume) – bottle (750mls)	£2.19	17p	£2.36

Tobacco

- 2.27 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.
- 2.28 The “*Combined Substance Use Strategy for Guernsey and Alderney 2021 – 2026 (Drugs, Alcohol and Tobacco)*” 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.*”
- 2.29 Therefore, based on an inflation forecast of 6%, the Policy & Resources Committee is recommending **an increase in excise duty in all tobacco products of 11% from 1 January 2023** as set out in The Excise Duties (Budget) Ordinance, 2022 [Proposition 10]. This would increase the excise duty on an average packet of twenty cigarettes from £6.26 to £6.95.
- 2.30 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.

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- 2.31 In 2020 and 2021, income of £13.9million and £11.7million respectively, was positively affected by the impact of the COVID-19 restrictions on travel, which meant that the opportunity to access duty free tobacco products was significantly reduced for many consumers. It is estimated that income from Excise Duty on Tobacco will be £6.7million in 2022, which is £1million lower than the Budget of £7.7million, considered to be due to a combination of reduced consumption and diminishing stock levels. The 2023 Budget for income from Excise Duty on Tobacco at £7.7million reflects a combination of increased duty; reduced demand; and a return to more regular stock-holding levels by importers.

Motor Fuel

- 2.32 The Policy & Resources Committee is recommending that **the excise duty on motor fuel is increased by 6%, from 1 January 2023** as set out in The Excise Duties (Budget) Ordinance, 2022 [Proposition 10]. This would maintain the real-value of the duty by increasing it by 4.6p per litre to 80.9p per litre which is expected to raise an additional £1.2million per annum.
- 2.33 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 55p per litre from 1 January 2023. The concessionary rate of duty for biodiesel would be 70.9p per litre from 1 January 2023.
- 2.34 The 2022 anticipated income from excise duty on motor fuel is £20.2million which is £700,000 lower than the budget estimate of £20.9million. The decline in volumes is considered to be as a result of increased efficiency of internal combustion engines; change in driving habits (including in response to the recent high pump prices of fuel); and increasing use of vehicles which do not use motor fuel as energy source. The 2023 Budget Estimate for income from excise duty on motor fuel is set at £20.4million, which allows for a volume decrease of 5% compared to 2022.
- 2.35 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 Committee *for the Environment & Infrastructure* is taking the lead on progressing this resolution and has recently undertaken a tender exercise for the pilot work.

Tax on Real Property ('TRP')

Unoccupied and derelict property

- 2.36 The Policy & Resources Committee is **recommending endorsement of its intention to recommend, in the 2024 Budget Report, the introduction of a mechanism to charge enhanced TRP tariffs for derelict land and greenhouse sites and unoccupied buildings (residential and commercial)** [Proposition 11]. It is envisaged that “unoccupied” would be defined as, *“for a period of at least six months during the previous calendar year, the property has, for residential, not been occupied as a person’s residence and, for commercial, not been in use for the provision of a business or trade, etc.”*

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2.37 The 2024 Budget Report would include detailed proposals including definitions of occupied and derelict; the enhanced tariff structure; and the policy for any exemptions. At this stage, the Committee is of the view that enhanced rates of five times the current tariffs would be appropriate.

Property which has development permission

2.38 In order to encourage the development of property which has development permission, the Policy & Resources Committee is **recommending endorsement of its intention to include, in the 2024 Budget Report, the introduction of a mechanism to charge enhanced TRP tariffs for buildings and sites which have planning permission but the development has not been completed within three years** [Proposition 12]. The Committee's intention is that the following would apply:

- Where planning permission has been given for the construction of a new building, that real property can only fall into the category of "development building" for a period of 3 years after the grant of planning permission or for a period of 3 years beginning in 2023 (if such planning permission has already been given); and
- Any real property which after three years of being classed as a "development building" has not been issued with a completion certificate or it has not been confirmed that the building has met the relevant requirements, will fall into the "enhanced rate" category until such certificate or confirmation has been given. There will be a mechanism for planning permission to be 'disclaimed' with the property then being classified within the appropriate standard TRP category.

2.39 As the earliest year in which the "enhanced rates" could be charged is 2026, the 2024 Budget Report will include detailed proposals including a recommendation of the enhanced tariff structure; and the policy for any exemptions. At this stage, the Committee is of the view that a rate of at least five times the "development building" tariff should be considered. The Committee also intends to introduce an equivalent mechanism for the purposes of "approved development sites".

Commercial

2.40 The 2022 Budget for Commercial TRP is £20.9million. **It is recommended that all commercial buildings and land tariffs for 2023 are increased by 7.5%**, [Proposition 13] which will raise approximately £1.6million per annum (£300,000 in real-terms).

2.41 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 2023 will be £6.75 per unit in addition to the general increase and would raise an additional £850,000. Therefore, the 2023 estimate for commercial TRP is £23.3million.

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Domestic

2.42 The 2022 Budget for domestic TRP is £10million.

2.43 The distribution of properties by TRP rating is currently:

TRP of Property	Local Market		Open Market		Total	
	Number	%	Number	%	Number	%
<200	15,350	74	300	18	15,650	69
200-299	3,750	18	450	27	4,200	19
300-399	1,100	5	300	19	1,400	6
400-499	450	2	250	14	700	3
500+	300	1	350	22	650	3
TOTAL	20,950		1,650		22,600	

2.44 The Policy & Resources Committee is **recommending that domestic buildings and land tariffs for 2023 are increased as follows** [Proposition 13]:

- 0% for properties with a TRP rating of less than 200;
- 10% for properties with a TRP rating of 200 – 299;
- 12.5% for properties with a TRP rating of 300 – 399;
- 15% for properties with a TRP rating of 400-499; and
- 20% for properties with a TRP rating of over 500.

2.45 Overall, this averages at an 8% increase in tariffs and would raise an additional £800,000 per annum (£200,000 in real-terms). Therefore, the estimate for income from domestic TRP in 2023 is £10.8million.

2.46 The following table illustrates the effect of the increase in TRP rates on different domestic properties for 2023:

TRP of Property	Current (2022) TRP Annual	Increase in TRP Annual	Proposed (2023) TRP Annual
75	£145.50	£nil	£145.50
150	£291.00	£nil	£291.00
200	£448.00	£44.00	£492.00
300	£759.00	£96.00	£855.00
400	£1,128.00	£168.00	£1,296.00
500	£1,550.00	£310.00	£1,860.00
750	£2,325.00	£465.00	£2,790.00
1,000	£3,100.00	£620.00	£3,720.00

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Document Duty and Anti-Avoidance Duty

- 2.47 The 2022 Budget Estimate for income from Document Duty and Anti-Avoidance Duty was £22million. This estimate was higher than the income received prior to 2020 but lower than 2021 as it was not expected that the high level of activity in the housing market would be sustained throughout 2022. However, the housing market has continued to be buoyant, although there are now signs that it is slowing down, and the estimated income in 2022 has been revised to £27.5million.
- 2.48 There has been an 18% rise in local market housing prices over the past year and the total number of conveyances subject to duty up to August 2022 was 858 (local market) and 61 (open market), compared to 981 (local market) and 68 (open market) up to August 2021 and 779 (local market) and 48 (open market) up to August 2020.
- 2.49 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 2023 is £25million which, although higher than that received prior to 2020, is slightly lower than the 2022 projection. It is not proposed that any changes are made to the general rates or thresholds associated with Document Duty and Anti-Avoidance Duty.

Scheme to encourage 'down-sizing'

- 2.50 The Policy & Resources Committee is **proposing introduction of a time-limited scheme of a reduction in Document Duty to incentivise 'down-sizing'** [Proposition 14]. The first £400,000 of the replacement principal private residence being purchased by the 'down-sizer' would be charged at 0% Document Duty subject to the following conditions being met:
- A reduction in TRP rating of at least 25% on the domestic building element between the property being sold and the property being purchased (TRP categories: B1.1 to B1.2.5 and B2.1 to B2.2.5);
 - The property sold has been the buyer's 'Principal Private Residence' for at least two years; and
 - The scheme can only be accessed once in respect of a property being sold – i.e. if a couple decide to sell a jointly-owned property and purchase two smaller properties, the Document Duty reduction would apply to the first in time of the properties being purchased;
- 2.51 This would reduce the Document Duty payable on the purchase of a property valued at £400,000 and above by £10,875. The scheme would end on 31 December 2024 and provisions will be put in place to refund the difference in duty for conveyances during the period between the date of publication of the Budget Report and the date of the scheme being approved which would have qualified for the reduction. Equivalent provision is proposed to be made in relation to Anti-Avoidance Duty [Proposition 15].

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Enhanced rate of Document Duty

- 2.52 The Policy & Resources Committee is **recommending that a supplement of additional Document Duty of 2% on each band is charged on all residential property purchases which are not to be the Principal Private Residence of the purchaser or a person associated with that individual (i.e. a family member)** [Proposition 14]. Equivalent provision is proposed to be made in relation to Anti-Avoidance Duty [Proposition 15].
- 2.53 There will be provisions to enable refunds of the additional Document Duty or Anti-Avoidance Duty paid if, prior to the date of publication of the Budget Report, a legally binding agreement was entered into for a conveyance to be executed and registered on or after the date that the higher rates come into effect.

Vehicle First Registration Duty

- 2.54 The 2022 budget estimate for Vehicle First Registration Duty is £950,000. Since it was introduced in 2016, there has been no increase in the rates of First Registration Duty. An increase of approximately 25% would be required in 2023 to restore the real value of the rates, increasing revenues by £250,000. However, it is recommended that the rates are further increased such that income raised is doubled to £1.9million (a real-terms increase of £700,000).
- 2.55 Following discussion with the Committee *for the* Environment & Infrastructure, which has operational responsibility for administering the First Duty Registration regime and would make the regulations to bring any changes into effect, it is proposed that the increases are applied as set out in the table below, with the higher bands bearing proportionately larger increases:

Band	Diesel Class Vehicles Established CO ₂ Emissions (g/km)	Non-Diesel Class Vehicles Established CO ₂ Emissions (g/km)	Diesel Class Vehicles Established Engine Size (cc) if CO ₂ figure unavailable	Non-Diesel Class Vehicles Established Engine Size (cc) if CO ₂ figure unavailable	Duty (current) £	Duty (proposed) £
1	0 to 100	0 to 110	0 to 1000	0 to 1000	0	50
2	101 to 110	111 to 130	1001 to 1150	1001 to 1350	150	185
3	111 to 120	131 to 140	1151 to 1300	1351 to 1500	285	570
4	121 to 130	141 to 150	1301 to 1450	1501 to 1650	420	840
5	131 to 140	151 to 165	1451 to 1600	1651 to 1800	555	1,110
6	141 and over	166 and over	1601 and over	1801 and over	690	1,500
Band	Motorcycles	Vehicles Established Engine Size Figure (cc)			Duty (current) £	Duty (proposed) £
1 (New)	N/A	0			0	25
2	N/A	1 to 500			0	50
3	N/A	501 and over			100	100

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2.56 Therefore, it is recommended that the States endorse increasing the rates and changing the bands of tax imposed on the first registration of motor vehicles (known as First Registration Duty), to result in the rates and bands as set out in the above Table, effective from 1 January 2023 [Proposition 16].

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Section 3: Expenditure Proposals

- 3.1 The total 2022 revenue expenditure budget was £526.7million comprising £491.6million allocated to individual Committees; £11.8million held as the Budget Reserve; £8million as a specific COVID-19 provision; £18.5million allocated for service developments; and a £3.2million target for delivery of savings.
- 3.2 Individual Committee 2023 Cash Limits take account of adjustments for budget transfers between Committees including:
- £21.2million from multiple Committees to Corporate Services following implementation of the Property Target Operating Model including:
 - £7.4million from the Committee *for* Education, Sport & Culture;
 - £250,000 from the Committee *for* Employment & Social Security;
 - £310,000 from the Committee *for the* Environment & Infrastructure;
 - £12million from the Committee *for* Health & Social Care;
 - £980,000 from the Committee *for* Home Affairs; and
 - £220,000 from the Royal Court.
 - £2.8million from Corporate Services to the Committee *for* Education, Sport & Culture (£850,000) and the Committee *for* Health & Social Care (£1.95million) in respect of certain relocation expenses and rent allowances; and
 - £1.2million to Corporate Services from the Committee *for* Employment & Social Security (£600,000) and Committee *for the* Environment & Infrastructure (£600,000) in respect of services now being provided through the Customer Hub.
- 3.3 The recommended Cash Limits, which have been adjusted for cyclical / one-off / phasing-down items in both 2022 and 2023 (net reduction of £5million including £3.2million allocated in 2022 to fund the MYGOV transformation programme), incorporate the following additional allocations within individual Committee Cash Limits:
- £22.7million for cost pressures in relation to inflation or demand for delivery of existing services. £13million of this total relates to health and social care services and £4.9million is in respect of the uprating of non-contributory social security benefits (income support, family allowances and severe disability benefit and carers' allowances);
 - £21.3million for the effect of settled pay awards in respect of both 2022 and 2023^g;

^g The Policy & Resources Committee offered all pay groups a three-year deal covering 2022-2024. For those groups that have accepted the offer, allowance has been made in the recommended Cash Limits for both the 2022 element (5% plus £500) and the 2023 element (which is in line with the June 2022 RPIX of 7%).

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- £7.7million for approved service developments which were prioritised in previous Budget Reports or which follow specific States' direction including £4.8million for funding drugs and treatments in receipt of a Technology Appraisal from the National Institute for Health and Care Excellence;
 - £5.8million for initiatives or programmes which were approved as part of the Government Work Plan;
 - £2million within the Committee *for* Health & Social Care's Cash Limit in order to fund the COVID vaccination programme;
 - An increase of £1.1million in the Committee *for* Economic Development's Cash Limit to fund the operational costs of Guernsey Registry which were previously netted off against income received (which will now be accounted for as a gross receipt). This is purely a change in accounting treatment and has no impact on the overall States' financial position
 - £825,000 within the Cash Limit of the States' Trading Supervisory Board in order to cover the forecast trading deficit of Guernsey Waste, as agreed by the States following consideration of the policy letter entitled "*Future Waste Charges*" (Billet d'État XIII, 2022); and
 - A reduction of £9.1million following decreases in the employers' contribution rates to the pension schemes for public sector employees (Billet d'État XII, 2022).
- 3.4 Therefore, it is recommended that funding of £539.3million is allocated to Committees in 2023 comprising Non-Formula Led Cash Limits of £469.4million and Formula Led estimates of £69.9million.
- 3.5 In addition, there is a Budget Reserve of £22million; allocations for service developments and delivery of Government Work Plan initiatives which have not been incorporated into Committee Cash Limits of £12.4million; and planned delivery of £600,000 of savings.
- 3.6 The recommended Cash Limits for 2023 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 2023 budgets are included as Appendix V). For comparative purposes, the 2022 Cash Limits have been restated to take account of Inter-Committee transfers that have been made during 2022.

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	Note	2023 Revenue Cash Limit £'000s	2022 Revenue Cash Limit (restated) £'000	2022 Revenue Cash Limit (Original) £'000
Corporate Services	1	68,925	65,885	46,325
Economic Development	2	10,400	8,425	8,425
Education, Sport & Culture	3	82,855	77,490	84,040
Employment & Social Security		12,500	11,585	12,435
Environment & Infrastructure	4	13,175	11,995	12,905
Health & Social Care	5	212,000	188,050	198,100
Home Affairs	6	37,990	33,985	34,965
Policy & Resources		13,100	12,230	12,230
Scrutiny Management		600	550	550
Development & Planning	7	1,615	1,190	1,190
Overseas Aid & Development	8	3,855	3,225	3,225
States' Trading Supervisory		2,500	1,400	1,400
Royal Court		2,635	2,390	2,610
Law Officers		6,675	6,200	6,200
Pooled Budgets		550	500	500
TOTAL NON-FORMULA LED		469,375	425,100	425,100
Policy & Resources – Formula Led		2,025	2,050	2,050
Employment & Social Security - Formula Led	9	67,900	64,450	64,450
TOTAL FORMULA LED		69,925	66,500	66,500
TOTAL CASH LIMITS		539,300	491,600	491,600
Budget Reserve - general		22,000	11,750	11,750
COVID-19 specific provision		-	6,000	6,000
GWP Initiatives / Service Developments		12,400	18,500	18,500
Savings to be delivered		(600)	(3,150)	(3,150)
COMMITTEE EXPENDITURE		573,100	524,700	524,700
Business Support Measures		-	2,000	2,000
REVENUE EXPENDITURE BUDGET		573,100	526,700	526,700

3.7 **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.

3.8 In June 2019 (Billet d'État X, 2019), the States approved the recommendations within the “*Future Digital Services*” policy letter including entering into a ten-year Strategic Partnership contract with Agilisys Guernsey Limited for the delivery of States’ IT services including the provision and maintenance of the States’ IT infrastructure and support services, support for Public Service Reform transformation programmes and delivering a programme of approved economic development initiatives.

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- 3.9 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 2023 cash limit for Corporate Services includes a £1.2million reduction in the base contract value and £625,000 to fund additional costs as a result of the digitalisation of services
- 3.10 The recommended Cash Limit incorporates an inflation allowance of £3.7million which includes £1.5million in respect of the contract with Agilisys Guernsey Limited and an additional £1.3million for utility costs.
- 3.11 **Committee for Economic Development (Note 2)** – In accordance with the recovery action of *“Invest in the Finance Sector”* incorporated within the Government Work Plan, there is continuation of the specific allowance of £1million in the Cash Limit to increase the funding for Guernsey Finance (a total additional investment of £3million over three years from mid-2021 to mid-2024).
- 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 2023 funding requirement of £198,000 (2022: £538,000) and funding of £100,000 per annum for three years from 2021^h to support the Guernsey Language. The recommended Cash Limit includes provision for both of these amounts.
- 3.13 Following the National Association for Special Educational Needs (nasen) report on Special Educational Needs and/or Disabilities provision in Guernsey, the recommended Cash Limit includes non-recurring funding of £170,000 to enable the implementation of specific recommendations. This funding is in addition to the ongoing funding of £634,000 to employ non-teaching Special Educational Need co-ordinators in each school which was included within the 2022 Cash Limit. 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 recommended Cash Limit includes the service development funding allocation of £150,000 for the provision of additional cultural enrichment activities for children in primary schools, 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) (funded by a reduction in Family Allowance).
- 3.15 The Committee for Education, Sport & Culture has identified several areas where there is a need for targeted activity in order to support those children and young people whose progress and attainment, as well as mental health and wellbeing, was most affected by the pandemic and periods of lockdown. This programme of focused one-off measures is expected to cost £1.3million over 2022-2024 and the recommended 2023 Cash Limit includes specific funding of £625,000.

^h The Committee for Education, Sport & Culture has advised of a delay in the establishment of the Guernsey Language Commission. Therefore, the funding allocated for 2021 has been returned and will instead be made available in 2024.

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- 3.16 The recommended Cash Limit includes a specific additional allocation of £1.04million, in line with the provision made in the Funding & Investment Plan, to enable ‘Strategic investment in continuous education improvement’ in order to permanently increase the capacity and resilience in education services. The Committee *for* Education, Sport & Culture has advised that this investment is necessary to bring about a more sustainable delivery model able to respond flexibly in the future, be more resilient to disruption, and ultimately to bring about improved outcomes.
- 3.17 **Committee *for the* Environment & Infrastructure (Note 4)** – in addition to a general inflation allowance of £470,000, the recommended Cash Limit includes additional allowance of £200,000 to address expenditure pressures the Committee is facing in a number of areas and £205,000 for Government Work Plan initiatives of a Nature Commission (2023 is the second year of a three year funding requirement of £140,000 per annum) and £65,000 for projects forming part of the “*Invest in Nature and the Natural Economy*” Area of Focus. The provision for service developments and initiatives prioritised in the Government Work Plan (paragraph 3.37) includes allowance of a further £562,000 for this specific Area of Focus.
- 3.18 **Committee *for* Health & Social Care (Note 5)** - the recommended Cash Limit includes the service development funding allocations of £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) (funded by a reduction in Family Allowance) and £250,000 for a diabetic retinopathy screening programme.
- 3.19 In January 2020, the States considered a policy letter entitled “*Review of the Funding of Drugs, Treatments and Devices*” (Billet d’État I, 2019) 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).
- 3.20 Due to the COVID-19 pandemic, the phased implementation of this policy was delayed and the net additional costs are budgeted to be £4.8million in 2023 which is included within the recommended Cash Limit. There is also an allowance of £150,000 of non-recurring funding to enable the Committee *for* Health & Social Care to report back to the States with a review of the practical operation of the first two years of the policy and consideration of the next stage(s).
- 3.21 In line with the Government Work Plan, the budget also includes provision of £1.5million for funding initiatives to tackle the waiting list for orthopaedic procedures which has increased as a result of the delays that have arisen through COVID-19. In addition, a non-recurring provision of £2million has been made in respect of Off-Island Treatments due to an increased number of episodes of care and complexity of cases, which is considered to be an impact of COVID-19 pandemic treatment delays. These provisions will both be funded from the Guernsey Health Reserve.

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- 3.22 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 significantly in excess of this amount, including progressively rising demand in the Critical Care Unit requiring additional capacity to be made available earlier than anticipated and increased requirements for On-Island and Off-Island Complex placements and care packages.
- 3.23 Therefore, in addition to an inflation allowance of £4.2million, the Policy & Resources Committee is recommending a 2023 Cash Limit that includes an allowance of £4.4million for addressing these budgetary pressures. In addition, a specific non-recurring funding allowance of £965,000 has been made, as an interim measure, to recognise the particular pressures that are being experienced on the staff accommodation budget, arising from both the number of positions requiring accommodation due to recruitment challenges and the difficulties presented by current market forces with demand exceeding supply leading to an increase in rental prices.
- 3.24 The recommended Cash Limit of £212million for 2023 is an increase of £24million (12.7%) over the adjusted 2022 Cash Limit of £188million. Given that the budget for the Committee for Health & Social Care represents 37% of all General Revenue expenditure such an increase has a significant impact on the overall position. Although, at this stage, some elements are considered to be one-off in nature, there is a possibility that they may become part of the baseline in future.
- 3.25 In light of experience, the Policy & Resources Committee is of the view that the £3million per annum allowance for underlying health cost pressures will also be insufficient in future years. This assumption will be reviewed in advance of preparation of the 2023 Funding & Investment Plan update. Any increase necessary will in turn increase the structural deficit.
- 3.26 **Committee for Home Affairs (Note 6)** – In addition to an inflation allowance of £130,000, the recommended Cash Limit includes specific additional funding of £1.15million in respect of Government Work Plan initiatives including: managing Brexit - £560,000; enhancing domestic abuse services in line with the updated Domestic Abuse Strategy - £360,000; and developing the justice framework - £215,000.
- 3.27 **Development & Planning Authority (Note 7)** – The Cash Limit includes £250,000 of the £400,000 funding requirement for the Statutory Review of the Island Development Plan.
- 3.28 **Overseas Aid & Development Commission (Note 8)** – The Overseas Aid & Development Commission proposed 2023 Cash Limit of £3.855million includes an inflation allowance of £225,000, together with a real-terms increase of £400,000. This is the first tranche of additional funding towards achieving the States resolution from the Overseas Aid & Development Commission’s policy letter entitled *“Our Place in the World: The next ten years of overseas aid in Guernsey”* (Billet d’État XIII, 2019) *“That the States of Guernsey should adopt a target for its overseas aid giving of 0.2% of GDP by 2030.....”*. It is estimated that continuation of a real-terms increase of £400,000 for each of the years up to 2030 inclusive would achieve this target.

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3.29 **Formula Led Social Security (Note 9)** – The 2023 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 £4.5million. Part of the reduction in expenditure on Income Support resulting from the tailing off of the impact of COVID-19 (£1.3million) has been offset by an increased demand for Severe Disability & Carers' Allowances (£325,000).

3.30 The 2023 estimate also includes £340,000 provision for the financial impact on income support expenditure of the: removal of the benefit limitation (£150,000), increase in the earnings disregard (£120,000) and rise in long-term care co-payments (£70,000); and £100,000 for a real-terms increase in the rates of Carer's Allowance.

Budget Reserve – General

3.31 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'.

3.32 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.

3.33 The 2023 Budget Reserve of £22million includes:

- an allowance for 2022 and 2023 pay awards in respect of groups for which a settlement has not yet been reached (Agenda for Change, Teachers and Lecturers and Guernsey Border Agency staff);
- provision for increasing established staff budgets in case the assumed 5% level of underspend arising from staff turnover does not occur;
- provision for possible in-year requirements including continuation of financial support to dairy farmers; increased costs of providing the Alderney healthcare transferred service; and additional Lieutenant-Bailiff fees in order to respond to increased workload;
- a general provision to cover items such as variations in formula-led expenditure, 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.

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- 3.34 In respect of the latter three 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.

Service Developments and Government Work Plan Initiatives

- 3.35 As part of the Government Work Plan (Billet d'État X, 2022), the Funding & Investment Plan included schedules of costings for delivery of the plan priorities and delegated authority to the Policy & Resources Committee to make specific allowance in recommended Cash Limits. A total of £5.8million of funding for initiatives prioritised as part of the Government Work Plan has been added to 2023 Cash Limits, in addition to the £2million which was added to 2022 Cash Limits.

- 3.36 The resolutions of the Government Work Plan also included *"To note the continued priority resourcing applied by the States of Guernsey in preparation for the MONEYVAL 2024 inspection as set out in the 'ensure compliance with agreed international agreements/standards' workstream under Priority 2 of the Government Work Plan 2022 framework."* Therefore, in addition to funding of £2million which has been added to base Cash Limits in previous Budget Reports, a specific service development provision of £1.35million is included in the 2023 Budget in order to fund the following additional requirements which have been identified:

- Committee *for* Economic Development: £100,000 for three years (2023-2025) for a contract post of Head of Compliance, Risk and Governance in Guernsey Registry and one-off funding of £300,000 to provide temporary additional capacity and technical / compliance capability in preparation for the Moneyval assessment;
- Committee *for* Home Affairs: £200,000 to enable recruitment to vacancies in the Economic & Financial Crime Bureau, including through use of satellite working and payment of rent allowances; and
- Law Officers: £600,000 of ongoing funding for staffing of a Specialist Economic Crime Unit plus £150,000 of one-off costs to establish this Unit.

- 3.37 A total provision of £12.4million has been made to cover service developments and initiatives prioritised in the Government Work Plan, including an allowance for those for which Committees have not yet requested funding:

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	£'000	£'000
<u>Service Developments (prioritised in 2020 Budget Report)</u>		
Committee <i>for</i> Health & Social Care		
Balance of allocation	175	
Committee <i>for</i> Home Affairs		
Balance of allocation (Computer Emergency Response Team)	<u>725</u>	900
<u>Service Developments – Moneyval</u>		
Committee <i>for</i> Economic Development	400	
Committee <i>for</i> Home Affairs	200	
Law Officers	<u>750</u>	1,350
<u>Government Work Plan Initiatives</u>		
Managing the effects of Brexit and meeting international standards	300	
Recovery actions	5,550	
Reshaping government initiatives (transformation)	3,500	
Revenue impact of capital expenditure	<u>800</u>	10,150
TOTAL		12,400

- 3.38 The funding will be transferred into Committee budgets and allowance made within recommended 2024 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

- 3.39 It is anticipated that an additional £600,000 of recurring savings will be delivered in 2023 including £200,000 from procurement initiatives; £200,000 from property rationalisation. This is in addition to the £308,000 agreed reduction in the funding to the grant-aided Colleges which has been incorporated within the Committee for Education, Sport & Culture's recommended Cash Limit.

The Excise Duties (Budget) Ordinance, 2022

THE STATES, in pursuance of their Resolution of the 1st November 2022^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	£472.54 per kilo
(b)	Cigars	£472.54 per kilo
(c)	Hand rolling tobacco	£458.73 per kilo
(d)	Other manufactured tobacco	£397.90 per kilo
(e)	Tobacco leaf – unstemmed	£441.71 per kilo
(f)	Tobacco leaf – stemmed	£446.14 per kilo

^a Article I of Billet d’État No. XIX of 2022.

^b Ordres en Conseil Vol. XXIII, p.573; this enactment has been amended.

2. Petrol and gas oil -

- | | | |
|-----|---|--|
| (a) | Petrol other than any fuel used for the purpose of air navigation (and subject to b.) | 80.9p per litre |
| (b) | Petrol used for the purpose of marine navigation | 55.0p per litre
where supplied by
an approved trader
except where
supplied to an
approved trader in
which case 80.9p
per litre ^c |
| (c) | Gas oil | 80.9p per litre |

3. Other fuels –

Biodiesel	70.9p 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 | 29p 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 | 61p per litre |
| (c) | Beer brewed by an independent small brewery exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume | 50p 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 | 99p per litre |

- | | | |
|-----|---|-----------------|
| (e) | Beer brewed by an independent small brewery exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume | 62p 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 | £1.24 per litre |
| (g) | Beer exceeding 7.5 per cent volume | £1.43 per litre |

5. Spirits -

Spirits	£44.61 per litre of alcohol contained in the liquor, calculated in accordance with section 23D
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6. Cider -

- | | | |
|-----|--|---------------|
| (a) | Cider produced by an independent small cider-maker exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume | 29p per litre |
| (b) | Cider, other than cider produced by an independent small cider-maker, | 61p 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	50p 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	99p 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	62p 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	£1.24 per litre
(g)	Cider exceeding 7.5 per cent volume	£1.43 per litre

7. Wines -

(a)	Light wines not exceeding 5.5 per cent volume	77p per litre
(b)	Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)	£3.14 per litre
(c)	Other wines	£5.02 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, 2021^d is repealed.

Citation.

4. This Ordinance may be cited as the Excise Duties (Budget) Ordinance, 2022.

Commencement.

5. This Ordinance shall come into force on the 1st January, 2023.

^d Ordinance No. XXXV of 2021.

The Taxation of Real Property

(Guernsey and Alderney)

(Amendment) Ordinance, 2022

THE STATES, in pursuance of their resolution of the 1st November, 2022^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 tables A1 (Guernsey Residential Buildings) to A4 (Guernsey Commercial Land) 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.

Deletion.

2. Tables A1 (Guernsey Residential Buildings) to A4 (Guernsey Commercial Land) set out in the Schedule to The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2021^d are deleted.

Extent.

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

a Article I of Billet d'État No. XIX of 2022.

b Order in Council No. X of 2006.

c Ordinance No. XXXIII of 2007, this enactment has been amended.

d Ordinance No. XXXVI of 2021.

Citation.

4. This Ordinance may be cited as the Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2022.

Commencement.

5. This Ordinance shall come into force on the 1st January, 2023.

GUERNSEY REAL PROPERTY

TABLE A1

GUERNSEY RESIDENTIAL BUILDINGS

1	2	3
Property Reference	Property Description/Usage	2023 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	£2.46
B1.1.3	Domestic (whole unit) Local Market with a plan area of 300 or over up to (and including) 399 assessable units	£2.85
B1.1.4	Domestic (whole unit) Local Market with a plan area of 400 or over up to (and including) 499 assessable units	£3.24
B1.1.5	Domestic (whole unit) Local Market with a plan area of 500 and over assessable units	£3.72
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	£2.46
B1.2.3	Domestic (flat) Local Market with a plan area of 300 or over up to (and including) 399 assessable units	£2.85
B1.2.4	Domestic (flat) Local Market with a plan area of 400 or over up to (and including) 499 assessable units	£3.24
B1.2.5	Domestic (flat) Local Market with a plan area of 500 and over assessable units	£3.72
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	£2.46
B2.1.3	Domestic (whole unit) Open Market with a plan area of 300 or over up to (and including) 399 assessable units	£2.85
B2.1.4	Domestic (whole unit) Open Market with a plan area of 400 or over up to (and including) 499 assessable units	£3.24

GUERNSEY RESIDENTIAL BUILDINGS (continued)

1	2	3
Property Reference	Property Description/Usage	2023 Tariff
B2.1.5	Domestic (whole unit) Open Market with a plan area of 500 and over assessable units	£3.72
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	£2.46
B2.2.3	Domestic (flat) Open Market with a plan area of 300 or over up to (and including) 399 assessable units	£2.85
B2.2.4	Domestic (flat) Open Market with a plan area of 400 or over up to (and including) 499 assessable units	£3.24
B2.2.5	Domestic (flat) Open Market with a plan area of 500 and over assessable units	£3.72
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	2023 Tariff
B4.1	Hostelry and food outlets	£7.45
B4.2	Self-catering accommodation	£4.70
B4.3	Motor and marine trade	£6.45
B4.4	Retail	£13.05
B4.5	Warehousing	£6.95
B4.6	Industrial and workshop	£5.55
B4.7	Recreational and sporting premises	£3.15
B4.8	Garaging and parking (non-domestic)	£6.95
B5.1	Utilities providers	£54.30
B6.1	Office and ancillary accommodation (regulated finance industries)	£50.65
B6.2	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)	£43.90
B6.3	Office and ancillary accommodation (legal services)	£50.65
B6.4	Office and ancillary accommodation (accountancy services)	£50.65
B6.5	Office and ancillary accommodation (NRFSB)	£50.65
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)	£7.25

TABLE A3

GUERNSEY RESIDENTIAL LAND

1	2	3
Property Reference	Property Description/Usage	2023 Tariff
L1.1	Communal (flat) Local Market	27p
L1.2	Communal (flat) Open Market	27p
L3.1	Domestic Local Market	27p
L3.2	Domestic Open Market	27p
L3.5	Domestic Social Housing	Zero

TABLE A4

GUERNSEY COMMERCIAL LAND

1	2	3
Property Reference	Property Description/Usage	2023 Tariff
L1.3	Hostelry and food outlets	55p
L1.4	Self-catering accommodation	55p
L1.5	Motor and marine trade	55p
L1.6	Retail	55p
L1.7	Warehousing	55p
L1.8	Industrial	55p
L1.9	Recreational and sporting premises	55p
L1.10	Office and ancillary accommodation (regulated finance industries)	£1.81
L1.11	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)	£1.56
L1.11.2	Office and ancillary accommodation (legal services)	£1.81
L1.11.3	Office and ancillary accommodation (accountancy services)	£1.81
L1.11.4	Office and ancillary accommodation (NRFSB)	£1.81
L1.12	Utilities providers	55p
L2.1	Approved development site	£1.81
L3.3	Horticulture	27p
L3.4	Agriculture	27p
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)	55p

The Document Duty (Rates) (Amendment) Ordinance, 2022

THE STATES, in pursuance of their Resolution of the 1st November, 2022^a, and in exercise of the powers conferred upon them by section 6(1) of the Document Duty (Guernsey) Law, 2017^b, and all other powers enabling them in that behalf, hereby orders: –

Amendment of the Ordinance.

1. Immediately after section 1 of the Document Duty (Rates) Ordinance, 2017 ("**the Ordinance**"), insert the following sections -

"Duty payable in respect of acquisition of domestic real property: non-principal private residence.

1A. (1) The amount of document duty payable in respect of a chargeable transaction within section 2(1)(a) of the Law, which is not an exempt transaction but where subsection (2) applies, shall be the aggregate of the following –

- (a) 4.25% of any part of the value of the transaction not exceeding £250,000, and
- (b) 5.50% of any part of the value of the transaction exceeding £250,000 but not exceeding £400,000, and

^a Article I of Billet d'État No. XIX of 2022.

^b Order in Council No. IX of 2017. This enactment has been amended.

- (c) 6.00% of any part of the value of the transaction exceeding £400,000 but not exceeding £750,000, and
- (d) 6.25% of any part of the value of the transaction exceeding £750,000 but not exceeding £1,000,000, and
- (e) 6.50% of any part of the value of the transaction exceeding £1,000,000 but not exceeding £2,000,000, and
- (f) 7.50% of any part of the value of the transaction exceeding £2,000,000.

(2) This subsection applies where an interest in real property which falls into any of property references B1.1 to B1.2.5 and B.2.1 to B.2.25 is acquired by any person other than for the purpose of being the principal private residence of -

- (a) that person, or
- (b) a person who is associated with that person, within the definition set out in section 4 of the Law.

(3) For the purposes of this section, references to "**assessable units**", "**plan area**" and "**property reference**" shall be construed as

references to those terms as defined in the Taxation of Real Property (Guernsey and Alderney) Ordinance, 2007.

(4) The States Policy & Resources Committee may publish guidance in relation to this section, which must be taken into account by the Greffier when assessing the appropriate rate of duty properly payable.

Duty payable in respect of acquisition of domestic real property: downsizing of property.

1B. (1) The amount of document duty payable in respect of a chargeable transaction within section 2(1)(a) of the Law, which is not an exempt transaction but where subsection (2) applies, shall be the aggregate of the following –

- (a) 0.00% of any part of the value of the transaction not exceeding £400,000, and
- (b) 4.00% of any part of the value of the transaction exceeding £400,000 but not exceeding £750,000, and
- (c) 4.25% of any part of the value of the transaction exceeding £750,000 but not exceeding £1,000,000, and
- (d) 4.50% of any part of the value of the transaction exceeding £1,000,000 but not exceeding £2,000,000, and

- (e) 5.50% of any part of the value of the transaction exceeding £2,000,000.
- (2) Subject to subsection (3), this subsection applies where -
- (a) the real property ("**the relevant property**") falls into any of property references B1.1 to B1.2.5 and B.2.1 to B.2.25,
 - (b) the relevant property has been acquired by a person in order to be the principal private residence of that person ("**the relevant person**"),
 - (c) in order to acquire the relevant property, the relevant person has sold real property which had been that person's principal private residence for a period of not less than two years ("**the previous property**"), and
 - (d) there is a decrease of at least 25% in the number of assessable units of the plan area of the relevant property in comparison with the number of assessable units of the plan area of the previous property.
- (3) The rates set out in section 1(2) shall apply where -

- (a) if the previous property was owned by more than one person, the document duty in relation to the acquisition of real property by another person who was an owner (whether jointly or in common) of the previous property has already been assessed by the Greffier in accordance with the rates set out in subsection (1), or
- (b) the relevant person has already acquired real property for which the document duty has already been assessed by the Greffier in accordance with the rates set out in subsection (1).

(4) For the purposes of this section, references to "**assessable units**", "**plan area**" and "**property reference**" shall be construed as references to those terms as defined in the Taxation of Real Property (Guernsey and Alderney) Ordinance, 2007.

(5) The States Policy & Resources Committee may publish guidance in relation to this section, which must be taken into account by the Greffier when assessing the appropriate rate of duty properly payable.

(6) This section will not apply in relation to a chargeable transaction of real property, the registration of which takes place on or after 1st January 2025.

Declaration under section 5 of the Law.

1C. A declaration made for the purposes of section 5 of the Law must also include a declaration by the person acquiring the real property -

(a) whether, for the purposes of section 1A, subsection (2) of that subsection applies, and

(b) whether, for the purposes of section 1B -

(i) subsection (2) of that section applies, and

(ii) either of the limitations in subsection (3) of that section apply,

and provisions of the Law, including sections 6 and 8, shall be construed accordingly.".

Transitional relief.

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

(2) Relief shall consist of a payment to be made by the States Policy & Resources Committee, out of the general revenue of the States, of an amount equal to any difference between the document duty paid and -

(a) for the purposes of section 1A of the Ordinance, that which would have been payable if that section had not been enacted, and

- (b) for the purposes of section 1B of the Ordinance, that which would have been payable if that section had been in force at that time.

(3) For the purposes of subsection (1) where subsection (2)(a) applies -

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

- (i) registration, within the transitional period, of a chargeable transaction which has been executed further to a qualifying agreement, or

- (ii) registration, after the expiration of the transitional period, of a chargeable transaction -

- (A) which has been executed further to a qualifying agreement, and

- (B) where written notice of the existence of that agreement has, within the transitional period, been given to the Greffier,

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

- (i) entered into prior to 3rd October, 2022, and

- (ii) the terms and conditions of which, in the opinion of the Greffier, are or were legally binding on any party to the agreement, and
 - (c) "**the transitional period**" means the period commencing on the day on which this Ordinance comes into force and ending on 31st December, 2022.
- (4) For the purposes of subsection (1) where subsection (2)(b) applies -
- (a) "**a qualifying registration**" means registration, within the transitional period, of a chargeable transaction, and
 - (b) "**the transitional period**" means the period commencing on 3rd October, 2022 and ending on the day on which this Ordinance comes into force.

Extent.

3. This Ordinance shall have effect in the island of Guernsey.

Citation.

4. This Ordinance may be cited as the Document Duty (Rates) (Amendment) Ordinance, 2022.

Commencement.

5. This Ordinance shall come into force on the day on which it is made.

The Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2022

THE STATES, in pursuance of their Resolution of the 1st November, 2022^a, in exercise of the powers conferred upon them by section 4(1) of the Document Duty (Anti-Avoidance) (Guernsey) Law, 2017^b, and all powers enabling them in that behalf, hereby orders: –

Amendment of the Ordinance.

1. Immediately after section 1 of the Document Duty (Anti-Avoidance) (Rates) Ordinance, 2017 ("**the Ordinance**"), insert the following sections –

"Duty payable in respect of relevant transaction relating to domestic real property: non-principal private residence.

1A. (1) The amount of document duty payable in respect of a relevant transaction within the meaning of the Law, which is not an exempt transaction but where subsection (2) applies, shall be the aggregate of the following percentages of the assessable market value of the significant benefit –

- (a) 4.25% of any part of such value not exceeding £250,000, and

^a Article I of Billet d'État No. XIX of 2022.

^b Order in Council No. X of 2017. This enactment has been amended.

- (b) 5.50% of any part of such value exceeding £250,000 but not exceeding £400,000, and
- (c) 6.00% of any part of such value exceeding £400,000 but not exceeding £750,000, and
- (d) 6.25% of any part of such value exceeding £750,000 but not exceeding £1,000,000, and
- (e) 6.50% of any part of such value exceeding £1,000,000 but not exceeding £2,000,000, and
- (f) 7.50% of any part of such value exceeding £2,000,000.

(2) This subsection applies where a relevant transaction confers a significant benefit in relation to the property which falls into any of property references B1.1 to B1.2.5 and B.2.1 to B.2.25 other than for the purpose of being the principal private residence of –

- (a) the transferee, or
- (b) a person who is associated with the transferee, within the definition set out in section 3 of the Law.

(3) For the purposes of this section, references to "**assessable units**", "**plan area**" and "**property reference**" shall be construed as

references to those terms as defined in the Taxation of Real Property (Guernsey and Alderney) Ordinance, 2007.

(4) The Committee may publish guidance in relation to this section, which must be taken into account by the Greffier when assessing the appropriate rate of duty properly payable.

Duty payable in respect of relevant transaction relating to domestic real property: downsizing of property.

1B. (1) The amount of document duty payable in respect of a relevant transaction within the meaning of the Law, which is not an exempt transaction but where subsection (2) applies, shall be the aggregate of the following percentages of the assessable market value of the significant benefit

—

- (a) 0.00% of any part of such value not exceeding £400,000, and
- (b) 4.00% of any part of the value of the transaction exceeding £400,000 but not exceeding £750,000, and
- (c) 4.25% of any part of the value of the transaction exceeding £750,000 but not exceeding £1,000,000, and
- (d) 4.50% of any part of the value of the transaction exceeding £1,000,000 but not exceeding £2,000,000, and

- (e) 5.50% of any part of the value of the transaction exceeding £2,000,000.

- (2) Subject to subsection (3), this subsection applies where

–

- (a) the property ("**the relevant property**") falls into any of property references B1.1 to B1.2.5 and B.2.1 to B.2.25,
- (b) the relevant property has been acquired by the transferee to be the principal private residence of the transferee,
- (c) in order to acquire the relevant property, the transferee has sold real property which was the transferee's principal private residence for a period of not less than two years ("**the previous property**"), and
- (d) there is a decrease of at least 25% in the number of assessable units of the plan area of the relevant property in comparison with the number of assessable units of the plan area of the previous property.

- (3) The rates set out in section 1 shall apply where –

- (a) if the previous property was occupied by more than one person, the document duty in relation to the acquisition of real property by another person who was an occupier of the previous property has already been assessed in accordance with the rates set out in subsection (1), or
- (b) the transferee has already acquired a significant benefit in relation to another property for which the document duty has already been assessed by the Greffier in accordance with the rates set out in subsection (1).

(4) For the purposes of section 1A and this section, references to "**assessable units**", "**plan area**" and "**property reference**" shall be construed as references to those terms as defined in the Taxation of Real Property (Guernsey and Alderney) Ordinance, 2007.

(5) The Committee may publish guidance in relation to this section, which must be taken into account by the Greffier when assessing the appropriate rate of duty properly payable.

(6) This section will not apply in relation to the execution of a chargeable transaction which takes place on or after 1st January 2025."

Transitional relief.

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

(2) Relief shall consist of a payment to be made by the States Policy & Resources Committee, out of the general revenue of the States, of an amount equal to any difference between the duty paid and -

(a) for the purposes of section 1A of the Ordinance, that which would have been payable if that section has not been enacted, and

(b) for the purposes of section 1B of that Ordinance, that which would have been payable if that section had been in force at that time.

(3) For the purposes of subsection (1) where subsection (2)(a) applies -

(a) **"a qualifying transaction"** means -

(i) a chargeable transaction which is executed within the transitional period further to a qualifying agreement, or

(ii) a chargeable transaction which is executed after the expiration of the transitional period but -

(A) such execution is effected further to a qualifying agreement, and

- (B) written notice of the existence of that agreement has, within the transitional period, been given to the Greffier,
 - (b) **"a qualifying agreement"** means an agreement -
 - (i) entered into prior to 3rd October, 2022, and
 - (ii) the terms and conditions of which, in the opinion of the Greffier, are or were legally binding on any party to the agreement, and
 - (c) **"the transitional period"** means the period commencing on the day on which this Ordinance comes into force and ending on 31st December, 2022.
- (4) For the purposes of subsection (1) where subsection (2)(b) applies -
- (a) **"a qualifying transaction"** means a chargeable transaction which is executed within the transitional period, and
 - (b) **"the transitional period"** means the period commencing on 3rd October, 2022 and ending on the day on which this Ordinance comes into force.

Extent.

- 3. This Ordinance shall have effect in the island of Guernsey.

Citation.

4. This Ordinance may be cited as the Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2022.

Commencement.

5. This Ordinance shall come into force on the day on which it is made.

FISCAL POLICY FRAMEWORK

In January 2020 (Billet d'État I, 2020), the States agreed to adopt a revised Fiscal Policy Framework. 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 may be funded from reserves, but this principle implies reserves will need to be replenished with surpluses in future years.

The 2023 Budget has been prepared in accordance with direction set out in the Funding & Investment Plan (included within the Government Work Plan 2022; Billet d'État X, 2022) which included the utilisation of reserves to support the government priorities and capital programme until 2025. A better outturn than anticipated in 2021 and slower progression of the capital programme means that the balance on the General Reserve is significantly higher than expected in 2022. These improvements mean that there is now unlikely to be a need for any new external borrowing in this term to fund the capital portfolio. However, execution of the GWP will still result in the majority of the States' financial reserves being exhausted over the remainder of this term. The need to utilise these reserves is itself a symptom of a growing structural deficit. The Government Work Plan 2022 included:

"The revised projections indicate a surplus before capital expenditure over the Plan period which will fall from £25m in 2022 to £5m by 2025. The shrinking surplus comes about because of the demand pressures on public service expenditure, particularly in relation to health and care services, coupled with strain on revenues as a result of a reduction in the working population and the introduction of secondary pensions.

These small surpluses are not sufficient to fund the necessary investment in island infrastructure. They are too small even to fund the everyday replacement of equipment and vehicles, renewal of roads and investment in property assets, classed as Minor Capital.

The underlying position remains a structural deficit beyond this term which, for General Revenue, is estimated to be approximately £50m when the long-term infrastructure funding needs are factored in. In addition, the States are running a deficit on the social security schemes, in particular the States' pension, which have a long-term funding requirement of £34m a year.

Therefore, the overall structural deficit remains in line with previous forecasts of £80-90m."

Therefore, although the States' finances are balanced in the medium-term through the utilisation of reserves, the evidence of the structural deficit means that Principle 1 is not being complied with.

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 revenue surplus for 2023, after provision for funding losses from the unincorporated trading assets, is £33million or 6% of revenue income.

However, this surplus is not sufficient to cover the full capital provision in accordance with Principle 6. If an assumption of capital spend of 2% of GDP is added the resulting deficit reaches £43million or 7% of revenue income. If the full extent of the £120million capital spend outlined in the GWP for 2023 is incorporated this increases the deficit to £87million or 15% of revenue income

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

A revenue surplus is forecast for 2022 and 2023. However, in neither year is the surplus sufficient to cover anticipated capital requirements. Overall, 2022 and 2023 are therefore likely to result in a deficit position, particularly given the anticipated investment returns for 2022 and 2023 in the context of a global bear market. This will need to be resolved by 2026 in order to comply with Principle 3. 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.

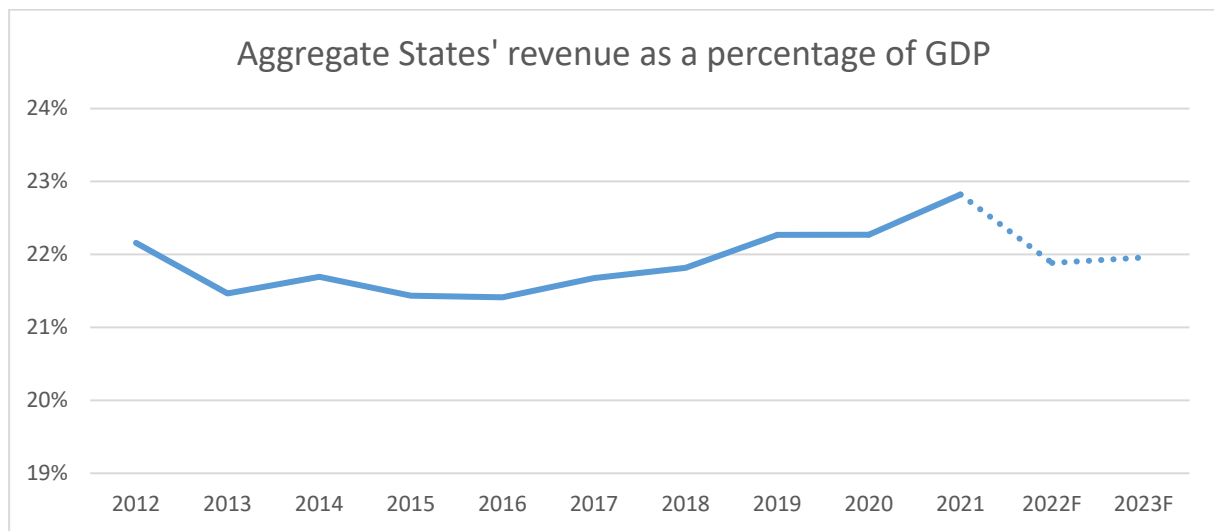
Principle 4: Measures to address any identified or anticipated deficit must be incorporated in the States Medium Term Financial Plan

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.

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.

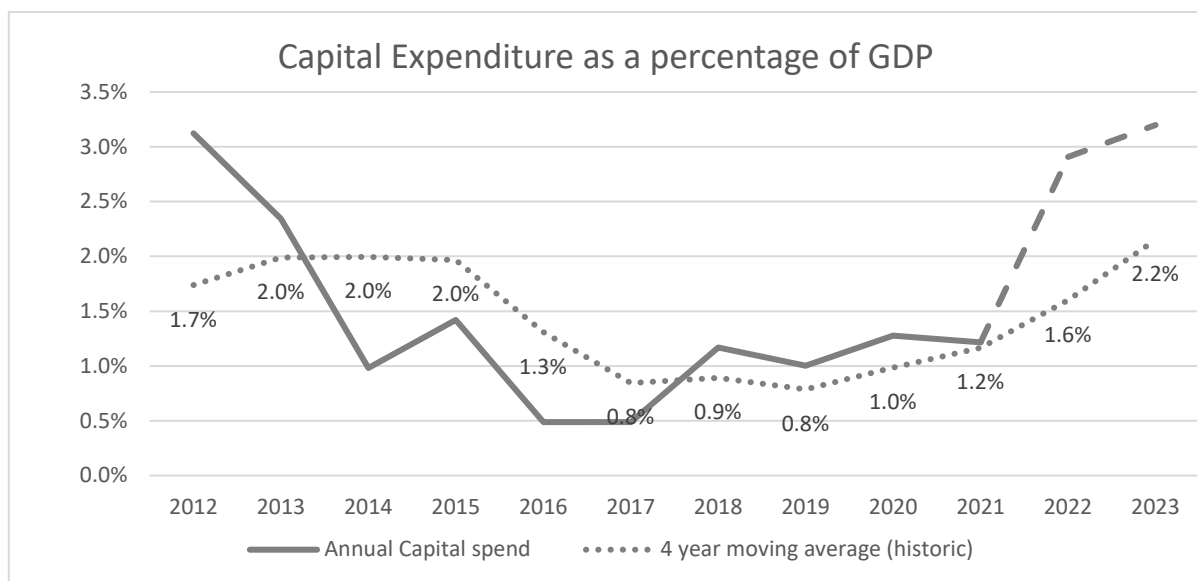
Following an increase in aggregate revenues relative to GDP in 2021, driven in part by the exceptionally strong document duty receipts, revenues as a percentage of GDP are expected to return to approximately 22% of GDP.



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 have historically struggled to meet ambitious spending commitments on capital. Due to the disruption arising from the pandemic, there was less capital spending in 2020 and 2021 than planned.

As outlined in the Funding & Investment Plan, capital spend is anticipated to increase significantly in 2022 and 2023. 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 2.2% - above the 1.5% target level. Over 8 years capital expenditure will average 1.5% of GDP, remaining 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:

	2022		2023	
	£m	% of Forecast GDP	£m	% of Forecast GDP
Direct Liabilities				
States of Guernsey Bond	330	9.2%	330	8.6%
Revolving Credit Facility (maximum £100m)	25	0.7%	25	0.7%
Indirect and contingent liabilities				
Cabernet Ltd (loan for aircraft purchase, maximum £51m)	38	1.1%	36	0.9%
Total	393	11.0%	391	10.2%

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. However, the better than anticipated outturn for 2021 means that no further borrowing is anticipated for this term. High inflation and GDP growth will both have the effect of eroding the value of debt. If no further debt is issued the value of debt relative to GDP should continue to decline over the remainder of this political term

2022 EXPENDITURE

The following table details the anticipated 2022 Probable Outturn for each Committee^a compared with budget:

2022	Original Budget	Authorised Budget	Probable Outturn	Anticipated (Over) / Underspend
	£'000s	£'000s	£'000s	£'000s
Corporate Services	43,171	63,982	62,380	1,602
Corporate Services - Transformation	3,154	3,154	3,154	-
Economic Development	8,425	9,262	9,183	79
Education, Sport & Culture	84,040	78,762	78,333	429
Education, Sport & Culture - Transformation	-	2,401	2,401	-
Employment & Social Security	12,435	18,249	17,972	277
Environment & Infrastructure	12,905	13,274	13,515	(241)
Health & Social Care	198,100	203,861	205,819	(1,958)
Home Affairs	34,965	36,056	35,096	960
Policy & Resources	12,230	14,190	13,183	1,007
Scrutiny Management	550	571	571	-
Development & Planning	1,190	1,299	1,247	52
Overseas Aid & Development	3,225	3,227	3,227	-
States' Trading Supervisory	1,400	2,199	2,199	-
Royal Court	2,610	2,572	2,512	60
Law Officers	6,200	6,441	6,441	-
Pooled Budgets	500	523	523	-
TOTAL NON-FORMULA LED	425,100	460,023	457,756	2,267
Payments to States Members	2,050	2,050	1,994	56
Employment & Social Security	64,450	64,456	62,090	2,366
TOTAL FORMULA LED	66,500	66,506	64,084	2,422
CASH LIMITS	491,600	526,529	521,840	4,689
Budget Reserve	11,750	743	8,118	(7,375)
COVID-19 specific provision	6,000	2,375	-	2,375
GWP / Service Developments	18,500	6,358	1,258	5,100
Savings	(3,150)	(2,452)	559	(3,011)
TOTAL COMMITTEE EXPENDITURE	524,700	533,553	531,775	1,778

^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 and Pooled Budgets.

During 2022, there have been a number of adjustments to Authorised Budgets following budget transfers between Committees including:

- £21.2million from multiple Committees to Corporate Services following implementation of the Property Target Operating Model including:
 - £7.4million from the Committee *for* Education, Sport & Culture;
 - £250,000 from the Committee *for* Employment & Social Security;
 - £310,000 from the Committee *for the* Environment & Infrastructure;
 - £12million from the Committee *for* Health & Social Care;
 - £980,000 from the Committee *for* Home Affairs; and
 - £220,000 from the Royal Court.
- £2.8million from Corporate Services to the Committee *for* Education, Sport & Culture (£850,000) and the Committee *for* Health & Social Care (£1.95million) in respect of certain relocation expenses and rent allowances;
- £1.2million to Corporate Services from the Committee *for* Employment & Social Security (£600,000) and Committee *for the* Environment & Infrastructure (£600,000) in respect of services now being provided through the Customer Hub.

During 2022, the following amounts have been transferred into individual Committee Authorised Budgets from provisions made within the 2022 budget:

- £12.1million of service developments for which the States approved provision in the 2020 and 2021 Budget Reports;
- £9.7million 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 2022 budget;
- £6.5million of grant-funding for Affordable Housing Developments;
- £4.8million of other transfers from the Budget Reserve to Committees;
- £3.6million of COVID-19 specific expenditure (vaccine programme, on-island testing and travel testing); and
- £2.8million from the Guernsey Health Reserve comprising £2.2 million for additional Off-Island Treatments due to an increased number of episodes of care and complexity of treatments, which is considered to be an impact of COVID-19 pandemic treatment delays and £600,000 for two specific complex cases.

In addition, the overall expenditure budget has decreased by £3.5million in respect of the reduction in the employers' contribution rates to the pension schemes for public sector employees (Billet d'État XII, 2022) from August 2022.

Non-Formula Led Expenditure

Non-Formula Led expenditure is expected to be net £2.3million below Authorised Budget with forecast underspends in multiple Committees of £4.5million being offset by expected overspends of £2.2million. The major variances are forecast in the following Committees:

- Corporate Services – underspend of £1.7million including as a result of lower than budgeted spend on repairs and maintenance due to unavailability of contractors;
- Committee *for* Home Affairs – underspend of £1million due to a combination of staff vacancies in a number of service areas and higher income generated from work permits and naturalisation applications;
- Policy & Resources – underspend of £1million due to staff vacancies arising from recruitment difficulties; and
- Committee *for* Health & Social Care – overspend of £2million primarily as a result of challenges in the areas of recruitment, agency staff cover and staff accommodation.

Formula Led Expenditure

The forecast underspend of £2.4million in Formula Led expenditure is due to:

- Income Support - £1.5million due to claim numbers being lower as the Island has recovered from COVID-19 faster than anticipated, offset by the in-year cost of £530,000 for the interim uprating of rates;
- Family Allowance - £500,000 as the savings from the policy changes to remove the allowance once a child reaches their 18th birthday and from families earning over £120,000 per annum have been greater than forecast; and
- Legal Aid - £350,000 as applications have been lower than anticipated.

Budget Reserve

The forecast use of the Budget Reserve is higher than provided due to the pay award offer being greater than the provision made, partially offset by the reduction in the employers' contribution rates to pension schemes. In addition, there have been a small number of in-year items including: a donation of £500,000 to support the people of Ukraine; £486,000 of financial support to dairy farmers; £442,000 to fund Guernsey Waste's forecast trading deficit before depreciation; and £400,000 to enhance the seasonal flu vaccination programme.

COVID-19 provision

The Committee *for* Health & Social Care has been allocated £3.6million from the £6million provision included in the 2022 Budget in order to fund:

- Undertaking a mass vaccination programme (£1.9million);

- On-island testing (£1.1million); and
- Travel testing (£670,000).

The requirement to provide additional funding for travel testing and on-island testing ended during the early part of 2022.

GWP / Service Developments

The 2022 Budget included provision of £18.5million for funding Government Work Plan and other approved service developments. It is expected that a total of £13.4million will be released into Committee budgets in 2022 with the balance of £5.1million being unspent in-year due to delays in commencing implementation of initiatives.

Savings Target

The 2022 budget anticipated that £3.2million of recurring savings would be delivered 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.

In addition to the £307,000 agreed reduction in the funding to the grant-aided Colleges, which was incorporated within the Committee *for* Education, Sport & Culture's 2022 Cash Limit, the current projection is that net savings of £150,000 will be realised in 2022. This is lower than budgeted due to delays in projects and costs being higher than originally estimated.

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

2023	11% increase	(RPIX plus 5%)
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%)
2014	5.7% increase	(RPI plus 3%)
2013	6% increase	(RPI plus 3%)
2012	6.5% increase	(RPI plus 3%)

Duty on Alcohol

2023	7.5% increase	2017	5% increase
2022	4% increase	2016	5% increase
2021	1.5% increase	2015	5% increase
2020	5% increase	2014	5% increase
2019	5% increase	2013	3% increase
2018	5% increase	2012	3% increase

Duty on Fuel

2023	6% increase
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
2014	5% increase
2013	3.3% increase
2012	9.8% increase

Document Duty

2023	Temporary reduction to encourage down-sizing. Increase in rates for residential property purchases which are not an individual's Principal Private Residence
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
2013	No change
2012	No change

Tax on Rateable Value / Taxation of Real Property

2023	0%-20% increase 7.5% increase	Domestic – average of 8% increase but no increase on lower-rated properties Commercial
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

SUMMARY OF DELEGATED AUTHORITIES

The Policy & Resources Committee has delegated financial authority to:

- 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);
- Approve opening capital votes for other capital projects including urgent projects, minor capital expenditure and strategic property purchases of up to £2million and for emergency capital projects without limit;
- Make transfers from the Budget Reserve approved by the States (up to the amount available within the Reserve) (Budget 2015, Billet d'État XXII, 2014);
- 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 and Billet d'État X, 2022);
- 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);
- 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).

INCOME AND EXPENDITURE ACCOUNT

2021	2022	<u>Income and Expenditure by Category</u>		Note	2023
Actual	Original Budget				Budget
£'000s	£'000s				£'000s
Income					
361,513	368,000	<i>Income Taxes</i>		1	407,250
110,052	99,250	<i>Other Taxes</i>		2	107,000
-	29,600	<i>Social Security Contributions</i>			32,000
36,097	33,400	<i>Miscellaneous Income</i>		3	35,950
507,662	530,250	General Revenue Income			582,200
47,513	48,266	Committee Operating Income (including transfers)			53,561
555,175	578,516	Total Income			635,761
Less Expenditure					
262,166	266,932	<i>Pay</i>		4	290,210
153,883	206,434	<i>Non-Pay</i>		5	232,726
83,693	66,500	<i>Formula-Led</i>		6	69,925
-	(3,150)	<i>Savings Target</i>			(600)
499,742	536,716	Revenue Expenditure			592,261
-	18,500	Government Work Plan / Service Developments			12,400
-	17,750	Budget Reserve			22,000
22,434	2,000	COVID-19 Business and Personal Support			-
32,999	3,550	Revenue Surplus			9,100
2	3,000	Capital Income - Sale of Property			3,000
42,872	17,100	Investment Return			26,600
75,873	23,650	Net Surplus			38,700
14,731	1,400	Provision for Aurigny Loss			-
8,622	-	Provision for Guernsey Ports Loss			6,200
52,520	22,250	Transfer to General Revenue Reserve			32,500

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 continue to be collected via the social security contributions system, but, with effect from 2022, the contributions previously directed towards the Guernsey Health Service Fund are credited to General Revenue. These revised arrangements come into effect on 1 January 2022 and had the following effect on the 2022 General Revenue budget:

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

INCOME AND EXPENDITURE ACCOUNT

2021	2022		2023
Actual	Original Budget	<u>Income and Expenditure by Service Area</u>	Budget
£'000s	£'000s		£'000s
507,662	530,250	Revenue Income	582,200
2	3,000	Capital Income - Sale of Property	3,000
42,872	17,100	Investment Return	26,600
550,536	550,350	Total Income	611,800
		Net Revenue Expenditure	
45,713	46,325	Corporate Services	68,925
8,006	8,425	Committee for Economic Development	10,400
84,190	84,040	Committee for Education, Sport & Culture	82,855
93,796	76,885	Committee for Employment & Social Security	80,400
12,617	12,905	Committee for the Environment & Infrastructure	13,175
147,749	198,100	Committee for Health & Social Care	212,000
32,165	34,965	Committee for Home Affairs	37,990
13,164	14,280	Policy & Resources Committee - Core Services	15,125
474	550	Scrutiny Management Committee	600
923	1,190	Development & Planning Authority	1,615
2,169	3,225	Overseas Aid & Development Commission	3,855
1,780	1,400	States' Trading Supervisory Board	2,500
2,427	2,610	Royal Court	2,635
6,263	6,200	Law Officers	6,675
493	500	Pooled Budgets	550
300	-	States of Alderney	-
-	18,500	Government Work Plan / Service Developments	12,400
-	17,750	Budget Reserve	22,000
-	(3,150)	Savings Target	(600)
452,229	524,700	Total Cash Limits	573,100
22,434	2,000	COVID-19 Business and Personal Support	-
75,873	23,650	Net Surplus	38,700
14,731	1,400	Provision for Aurigny Loss	-
8,622	-	Provision for Guernsey Ports Loss	6,200
52,520	22,250	Transfer to General Revenue Reserve	32,500

Note: There have been the following transfers between Committees in 2022:

- £21.2million (2021: £19.8million) from multiple Committees to Corporate Services following implementation of the Property Target Operating Model comprising:
 - o £7.4million (2021: £6.7million) from the Committee *for* Education, Sport & Culture;
 - o £250,000 (2021: £220,000) from the Committee *for* Employment & Social Security;
 - o £310,000 (2021: £290,000) from the Committee *for the* Environment & Infrastructure;
 - o £12million (2021: £11.5million) from the Committee *for* Health & Social Care;
 - o £980,000 (2021: £850,000) from the Committee *for* Home Affairs; and
 - o £220,000 (2021: £220,000) from the Royal Court;
- £2.8million from Corporate Services to the Committee *for* Education, Sport & Culture (£850,000) and the Committee *for* Health & Social Care (£1.95million) in respect of certain relocation expenses and rent allowances; and
- £1.2million to Corporate Services from the Committee *for* Employment & Social Security (£600,000) and Committee *for the* Environment & Infrastructure (£600,000) in respect of services now being provided through the Customer Hub.

NOTES

1. Income Taxes

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
290,257	300,000	Individuals	329,250
57,616	59,000	Companies (including Banks)	63,000
13,640	9,000	Distributed Profits	15,000
361,513	368,000	Income Taxes	407,250

2. Other Taxes

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Customs - Excise and Import Duties	
3,916	4,225	<i>Beer</i>	4,500
932	1,100	<i>Cider</i>	1,000
18,914	20,900	<i>Motor Fuel</i>	20,400
5,625	4,375	<i>Spirits</i>	4,675
11,689	7,700	<i>Tobacco</i>	7,700
6,648	6,750	<i>Wine</i>	7,250
370	350	<i>Import duties</i>	475
48,094	45,400		46,000
28,766	30,900	Tax on Real Property	34,100
32,341	22,000	Document Duty	25,000
851	950	Vehicle First Registration Duty	1,900
110,052	99,250	Other Taxes	107,000

NOTES

3. Miscellaneous Income

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
19,427	19,950	Housing Rental Income	21,150
10,614	9,700	Company Fees	11,075
3,079	3,050	Property Rental Income	3,125
1,800	300	States' Trading Companies' Dividends	-
268	250	Royalties	450
909	150	Other Income	150
36,097	33,400	Miscellaneous Income	35,950

4. Pay Costs by Pay Group

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
92,757	95,620	Established Staff	107,994
78,457	78,557	Nurses and Medical Consultants	84,193
46,628	47,613	Teachers, Lecturers and Learning Support Assistants	48,813
17,022	18,592	Public Service Employees	20,381
8,966	9,208	Police Officers	9,961
3,876	4,133	Border Agency Officers	3,941
3,688	3,770	Prison Officers	4,146
3,542	3,581	Fire Officers	3,905
2,537	2,497	Home Support Staff	2,980
1,803	1,761	Crown Officers and Judges	1,826
2,890	1,600	Other Pay Groups	2,070
262,166	266,932	Pay Costs by Pay Group	290,210

NOTES

5. Non-Pay Costs by Expenditure Category

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Staff Non Pay Costs	
3,900	3,577	<i>Recruitment</i>	5,083
1,725	2,575	<i>Training</i>	2,777
507	535	<i>Other Staff Costs</i>	575
<u>6,132</u>	<u>6,687</u>		<u>8,435</u>
		Support Services	
1,773	2,127	<i>Advertising Marketing and PR</i>	2,518
221	249	<i>Audit Fees</i>	303
415	346	<i>Bank Charges</i>	418
3,247	1,563	<i>Communications and IT</i>	2,027
5,252	4,064	<i>Consultants Fees</i>	3,133
30,855	56,806	<i>Contracted Out Work</i>	63,620
66	-	<i>Incidental and Other costs</i>	-
1,315	1,122	<i>Postage, Stationery and Printing</i>	1,181
3,403	3,391	<i>Risk Management and Insurance</i>	3,773
<u>46,547</u>	<u>69,668</u>		<u>76,973</u>
		Premises	
1,014	744	<i>Equipment, Fixtures and Fittings</i>	827
4,081	4,052	<i>Rents and Leasing</i>	4,144
15,229	17,210	<i>Repairs, Maintenance and Servicing</i>	16,197
5,160	5,538	<i>Utilities</i>	6,980
<u>25,484</u>	<u>27,544</u>		<u>28,148</u>
		Third Party Payments	
122	170	<i>Benefit Payments</i>	160
31,839	34,179	<i>Grants and Subsidies</i>	37,430
<u>31,961</u>	<u>34,349</u>		<u>37,590</u>
		Transport	
1,422	1,378	<i>Vehicles and Vessels</i>	1,664
		Supplies and Services	
23,697	29,113	<i>Services</i>	34,257
18,640	37,695	<i>Supplies</i>	45,659
<u>42,337</u>	<u>66,808</u>		<u>79,916</u>
<u>153,883</u>	<u>206,434</u>	Non-Pay Costs by Expenditure Category	<u>232,726</u>

NOTES

6. Formula-Led Costs by Expenditure Category

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Policy & Resources Committee	
1,923	2,050	<i>Payments to States Members</i>	2,025
		Committee for Employment & Social Security	
46,627	47,200	<i>Income Support Scheme</i>	49,700
17,687	-	<i>Guernsey Insurance Fund Grant</i>	-
8,592	6,950	<i>Family Allowance</i>	6,950
7,262	7,800	<i>Severe Disability Benefit & Carers' Allowances</i>	8,750
1,602	2,500	<i>Legal Aid</i>	2,500
83,693	66,500	Formula-Led Costs	69,925

CORPORATE SERVICES

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
<u>Net Expenditure by Category</u>			
5,962	6,849	Operating Income	8,291
Non Formula-Led Expenditure			
19,257	20,090	Pay costs	34,848
		Non Pay costs	
3,992	3,711	Staff Non Pay costs	1,102
25,451	25,411	Support Services	25,668
1,961	2,932	Premises	13,097
-	300	Third Party Payments	-
17	18	Transport	77
997	712	Supplies & Services	2,424
32,418	33,084		42,368
45,713	46,325	Total Net Expenditure by Category	68,925

Notes:

Following implementation of the Property Target Operating Model, there have been transfers into Corporate Services from multiple Committees in 2022 of £21.2million (2021: £19.8million).

In 2022, transfers of £2.8million have been made from Corporate Services to the Committee *for* Education, Sport & Culture and the Committee *for* Health & Social Care in respect of certain relocation expenses and rent allowances.

In 2022, transfers of £1.2million have been made to Corporate Services from the Committee *for* Employment & Social Security and the Committee *for the* Environment & Infrastructure in respect of services now being provided through the Customer Hub.

CORPORATE SERVICES

2021	2022		2023
Actual	Original Budget		Budget
£'000s	£'000s		£'000s
<u>Net Expenditure by Service Area</u>			
Non Formula-Led Expenditure			
		Corporate Functions	
523	534	Assurance & Risk	574
2,167	1,931	Chief Executive's Office	1,857
619	605	Communications & Media	811
314	350	Data & Analysis Services	663
726	749	Data Protection	791
2,711	2,746	Finance	3,134
7,389	7,042	Human Resources	4,779
18,006	17,517	Information Systems & Services	19,009
2,971	3,100	Insurance	3,400
1,010	1,010	Procurement	1,081
3,875	4,657	Property Services	28,162
2,448	2,795	Shared Services Centre / Customer Hub	4,475
109	135	Tribunals & Reviews	189
<hr/>	<hr/>		<hr/>
42,868	43,171		68,925
2,845	3,154	Transformation	-
<hr/>	<hr/>		<hr/>
45,713	46,325	Net Expenditure by Service Area	68,925
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>

COMMITTEE *for* ECONOMIC DEVELOPMENT

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
<u>Net Expenditure by Category</u>			
728	1,255	Operating Income	1,316
Non Formula-Led Expenditure			
3,092	3,308	Pay costs	4,323
15	52	Non Pay costs	88
2,732	2,937	Staff Non Pay costs	3,671
175	172	Support Services	315
2,597	2,878	Premises	2,943
48	67	Third Party Payments	70
75	266	Transport	306
5,642	6,372	Supplies & Services	7,393
8,006	8,425	Net Non Formula-Led Expenditure by Category	10,400
2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
<u>Net Expenditure by Service Area</u>			
295	291	Central Services	422
383	141	Civil Aviation Office	353
506	629	Finance & Economic Development	645
1,276	1,599	Finance Sector Development	1,711
1,782	2,228	Business Innovation & Skills	2,356
2,512	2,791	Grant & Support Schemes	2,793
-	-	Guernsey Registry	1,280
1,133	1,118	Marketing & Tourism	1,164
68	23	Consumer & Communications	30
2	73	Guernsey Information Centre	80
641	653	Quality Development	318
301	441	Strategic Marketing	770
2,145	2,308	Trade & Media Relations	2,362
208	47	Office of the Public Trustee	47
274	318	Sea Fisheries	340
407	301	Strategic Projects	447
5,494	5,634		7,607
8,006	8,425	Net Expenditure by Service Area	10,400

COMMITTEE *for* EDUCATION, SPORT & CULTURE

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		<u>Net Expenditure by Category</u>	
5,082	6,218	Operating Income	6,235
		Non Formula-Led Expenditure	
62,962	63,937	Pay costs	64,645
		Non Pay costs	
566	620	Staff Non Pay costs	1,346
2,543	999	Support Services	2,750
4,987	5,807	Premises	1,713
14,625	14,501	Third Party Payments	14,559
213	235	Transport	248
3,376	4,159	Supplies & Services	3,829
26,310	26,321		24,445
84,190	84,040	Net Non Formula-Led Expenditure by Category	82,855

Notes:

Following implementation of the Property Target Operating Model, a transfer has been made to Corporate Services in 2022 of £7.4million (2021: £6.7million).

A transfer has been made from Corporate Services in 2022 of £850,000 in respect of certain relocation expenses and rent allowances.

COMMITTEE *for* EDUCATION, SPORT & CULTURE

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
<u>Net Expenditure by Service Area</u>			
823	770	Beau Sejour <i>Net expenditure</i>	1,029
(700)	(700)	<i>Less transfer from Channel Islands Lottery (Guernsey)</i> <i>Fund</i>	(700)
123	70		329
4,164	3,663	Central Services	4,422
381	523	Cultural Activities & Events	532
		The Guernsey Institute	
8,473	8,577	<i>College of Further Education</i>	8,983
628	628	<i>Guernsey Training Agency</i>	628
1,135	1,256	<i>Institute of Health & Social Care Studies</i>	1,252
10,236	10,461		10,863
4,006	4,033	Higher Education	4,235
		Museums & Libraries	
1,602	1,604	<i>Grants to Libraries</i>	1,755
274	275	<i>Island Archive Service</i>	295
1,296	1,301	<i>Museums Service</i>	717
3,172	3,180		2,767
5,195	5,444	School & Pupil Support Services	6,065
		Schools	
3,762	3,521	<i>Grants to Colleges</i>	3,372
2,147	2,112	<i>Pre-School</i>	2,402
17,397	18,625	<i>Primary Schools</i>	16,962
767	821	<i>School Music Service</i>	777
20,585	20,648	<i>Secondary Schools</i>	18,007
7,351	7,550	<i>Special Schools</i>	7,714
2,146	2,174	<i>Voluntary Schools</i>	1,984
54,155	55,451		51,218
1,004	1,215	Sports	534
1,754	-	Transformation	1,890
84,190	84,040	Net Expenditure by Service Area	82,855

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
<u>Net Expenditure by Category</u>			
179	20	Operating Income	28
Non Formula-Led Expenditure			
4,035	4,610	Pay costs	4,396
		Non Pay costs	
21	42	<i>Staff Non Pay costs</i>	49
302	664	<i>Support Services</i>	917
4,841	5,403	<i>Premises</i>	5,464
2,914	1,273	<i>Third Party Payments</i>	1,300
31	49	<i>Transport</i>	55
61	414	<i>Supplies & Services</i>	347
8,170	7,845		8,132
12,026	12,435	Non Formula-Led Expenditure by Category	12,500
Formula-Led Expenditure			
80,168	61,950	<i>Third Party Payments</i>	65,400
1,602	2,500	<i>Supplies & Services</i>	2,500
81,770	64,450	Formula-Led Expenditure by Category	67,900
93,796	76,885	Total Net Expenditure by Category	80,400

Notes:

Following implementation of the Property Target Operating Model, a transfer has been made to Corporate Services in 2022 of £250,000 (2021: £220,000).

A transfer has been made to Corporate Services in 2022 of £600,000 in respect of services now being provided through the Customer Hub.

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
<u>Net Expenditure by Service Area</u>			
Non Formula-Led Expenditure by Service Area			
1,770	2,102	Administration of Social Security & Legal Aid	1,620
1,113	1,619	Benefits & Grants	1,665
578	951	Central Services	1,027
83	88	Disability & Inclusion	96
260	632	Employment Relations Service	611
301	394	Health & Safety Executive	424
610	275	Housing Strategy & Planning	306
5,173	5,761	Social Housing Buildings Maintenance	6,080
593	613	Social Housing Tenancy Management	671
1,545	-	Grants to Guernsey Housing Association	-
12,026	12,435	Net Non Formula-Led Expenditure by Service Area	12,500
Formula-Led Expenditure			
		Legal Aid	
975	1,641	<i>Civil Legal Aid</i>	1,640
627	859	<i>Criminal Legal Aid</i>	860
1,602	2,500		2,500
-	-	Concessionary TV Licences for the Elderly	
8,592	6,950	Family Allowance	6,950
7,262	7,800	Severe Disability Benefit & Carers' Allowances	8,750
17,687	-	Guernsey Insurance Fund Grant	-
46,627	47,200	Income Support Scheme	49,700
81,770	64,450	Formula-Led Expenditure by Service Area	67,900
93,796	76,885	Total Net Expenditure by Service Area	80,400

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		<u>Net Expenditure by Category</u>	
<u>2,722</u>	<u>3,239</u>	Operating Income	<u>3,463</u>
		Non Formula-Led Expenditure	
<u>3,061</u>	<u>3,245</u>	Pay costs	<u>3,009</u>
		Non Pay costs	
8	16	<i>Staff Non Pay costs</i>	41
8,199	8,908	<i>Support Services</i>	9,555
2,313	2,223	<i>Premises</i>	2,143
1,073	1,074	<i>Third Party Payments</i>	1,128
56	49	<i>Transport</i>	161
629	629	<i>Supplies & Services</i>	601
<u>12,278</u>	<u>12,899</u>		<u>13,629</u>
<u>12,617</u>	<u>12,905</u>	Net Non Formula-Led Expenditure by Category	<u>13,175</u>

Notes:

Following implementation of the Property Target Operating Model, a transfer has been made to Corporate Services in 2022 of £310,000 (2021: £290,000).

A transfer has been made to Corporate Services in 2022 of £600,000 in respect of services now being provided through the Customer Hub.

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
<u>Net Expenditure by Service Area</u>			
379	495	Central Services	402
80	81	Alderney Breakwater	90
		Agriculture, Countryside & Land Management	
1,794	1,679	<i>Agriculture & Veterinary Services</i>	1,809
888	908	<i>Coastal Services</i>	953
887	889	<i>Parks, Gardens & Nature Trails</i>	934
684	475	<i>Other Environmental Services</i>	575
<hr/> 4,253	<hr/> 3,951		<hr/> 4,271
212	261	Energy & Infrastructure	285
		Traffic & Highway Services	
2,867	3,157	<i>Highway Services</i>	3,476
541	867	<i>Integrated Transport Strategy</i>	920
(478)	(365)	<i>Licensing & Traffic Services</i>	(1,013)
4,763	4,458	<i>Passenger Transport</i>	4,744
<hr/> 7,693	<hr/> 8,117		<hr/> 8,127
<hr/> 12,617	<hr/> 12,905	Net Expenditure by Service Area	<hr/> 13,175

COMMITTEE *for* HEALTH & SOCIAL CARE

2021	2022		2023
Actual	Original Budget		Budget
£'000s	£'000s		£'000s
<u>Net Expenditure by Category</u>			
23,402	21,211	Operating Income	23,959
Non Formula-Led Expenditure			
117,605	116,133	Pay costs	117,296
		Non Pay costs	
676	872	<i>Staff Non Pay costs</i>	4,253
3,767	26,910	<i>Support Services</i>	29,928
9,030	8,984	<i>Premises</i>	4,299
4,454	8,025	<i>Third Party Payments</i>	9,837
712	682	<i>Transport</i>	750
34,907	57,705	<i>Supplies & Services</i>	69,596
53,546	103,178		118,663
147,749	198,100	Net Non Formula-Led Expenditure by Category	212,000

Notes:

Following implementation of the Property Target Operating Model, a transfer has been made to Corporate Services in 2022 of £12million (2021: £11.5million).

A transfer has been made from Corporate Services in 2022 of £1.95million in respect of certain relocation expenses and rent allowances.

COMMITTEE *for* HEALTH & SOCIAL CARE

2021	2022		2023
Actual	Original		Budget
£'000s	Budget		£'000s
	£'000s		
<u>Net Expenditure by Service Area</u>			
		Central Services	
278	293	<i>Accommodation Management</i>	323
951	1,313	<i>Clinical Governance</i>	1,286
793	2,280	<i>Contract Management & Procurement</i>	2,046
2,855	2,626	<i>Corporate & Strategy</i>	6,576
14,891	15,213	<i>Estates & Facilities</i>	4,335
296	411	<i>Systems & Performance Management</i>	394
20,064	22,136		14,960
		Community Services	
39,757	40,466	<i>Adult Services</i>	41,496
13,162	13,444	<i>Children's Services</i>	15,168
5,409	5,381	<i>Complex Placements</i>	6,090
2,561	2,484	<i>Extra Care Housing</i>	2,775
60,889	61,775		65,529
		Primary Care Services	
-	3,350	<i>Consultation Grants</i>	4,544
-	20,750	<i>Prescription Subsidies</i>	21,803
-	24,100		26,347
		Public Health & Strategy	
2,948	3,779	<i>Community Health & Wellbeing</i>	4,003
680	701	<i>Drug and Alcohol Strategy</i>	692
1,193	1,542	<i>Medical Public Health</i>	1,824
714	693	<i>Public Health Management</i>	796
8,613	-	<i>COVID-19 Response</i>	2,000
14,148	6,715		9,315
		Secondary Care Services	
38,393	41,510	<i>Acute Hospital Services</i>	46,180
8,985	12,823	<i>Acute Off Islands Treatment</i>	17,063
1,599	1,449	<i>Health Care Management</i>	1,620
2,515	2,588	<i>St John Ambulance & Rescue</i>	2,896
-	24,171	<i>Specialist Medical Benefit</i>	27,037
51,492	82,541		94,796
778	833	Office of the Children's Convenor	838
378	-	Transformation	215
147,749	198,100	Net Expenditure by Service Area	212,000

COMMITTEE *for* HOME AFFAIRS

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
<u>Net Expenditure by Category</u>			
2,676	2,496	Operating Income	2,662
Non Formula-Led Expenditure			
29,329	31,565	Pay costs	35,213
		Non Pay costs	
647	1,006	Staff Non Pay costs	1,092
1,369	1,302	Support Services	1,518
1,489	1,528	Premises	733
97	108	Third Party Payments	109
287	223	Transport	236
1,623	1,729	Supplies & Services	1,751
5,512	5,896		5,439
32,165	34,965	Net Non Formula-Led Expenditure by Category	37,990
2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
<u>Net Expenditure by Service Area</u>			
616	781	Administration and Central Services	1,148
536	439	Domestic Abuse Strategy	811
1,364	3,140	Economic & Financial Crime Bureau	3,356
156	171	Emergency Planning	179
(19)	(20)	Gambling Control	(20)
3,872	3,924	Guernsey Fire and Rescue Service	4,252
1,111	960	Joint Emergency Services Control Centre	1,050
17,570	18,249	Law Enforcement	19,303
(182)	(166)	Population Management	(173)
5,686	5,821	Prison Service	6,328
1,455	1,666	Probation Service	1,756
32,165	34,965	Net Expenditure by Service Area	37,990

Note:

Following implementation of the Property Target Operating Model, a transfer has been made to Corporate Services in 2022 of £900,000 (2021: £850,000).

POLICY & RESOURCES COMMITTEE – CORE SERVICES

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
<u>Net Expenditure by Category</u>			
1,685	1,325	Operating Income	1,337
Non Formula-Led Expenditure			
8,072	8,990	Pay costs	9,798
		Non Pay costs	
17	61	Staff Non Pay costs	131
914	966	Support Services	1,021
4	8	Premises	-
3,766	3,010	Third Party Payments	3,083
-	1	Transport	1
153	519	Supplies & Services	403
4,854	4,565		4,639
11,241	12,230	Net Non Formula-Led Expenditure by Category	13,100
Formula-Led Expenditure			
1,923	2,050	Third Party Payments	2,025
1,923	2,050	Formula-Led Expenditure by Category	2,025
13,164	14,280	Total Net Expenditure by Category	15,125

POLICY & RESOURCES COMMITTEE – CORE SERVICES

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
<u>Net Expenditure by Service Area</u>			
Non Formula-Led Expenditure			
2,755	2,000	<i>Alderney Air Routes PSO</i>	2,000
206	191	<i>Central Services</i>	207
1,246	1,532	<i>External Affairs</i>	1,533
3,982	4,891	<i>Revenue Service</i>	5,404
918	986	<i>Policy & Strategy</i>	1,101
1,249	1,725	<i>Treasury</i>	1,878
<hr/> 10,356	<hr/> 11,325		<hr/> 12,123
45	58	Commonwealth Parliamentary Association	67
840	847	HE Lieutenant Governor	910
<hr/> 11,241	<hr/> 12,230		<hr/> 13,100
Formula-Led Expenditure			
1,923	2,050	Payments to States Members	2,025
<hr/> 13,164	<hr/> 14,280	Net Expenditure by Service Area	<hr/> 15,125

SCRUTINY MANAGEMENT COMMITTEE

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
<u>Net Expenditure by Category</u>			
Non Formula-Led Expenditure			
470	470	Pay costs	490
-	2	Non Pay costs	5
1	61	Staff Non Pay costs	76
-	4	Support Services	15
3	13	Premises	14
		Supplies & Services	
4	80		110
474	550	Net Non Formula-Led Expenditure by Category	600

DEVELOPMENT & PLANNING AUTHORITY

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
<u>Net Expenditure by Category</u>			
1,485	1,322	Operating Income	1,374
Non Formula-Led Expenditure			
2,257	2,335	Pay costs	2,563
7	57	Non Pay costs	45
121	84	Staff Non Pay costs	341
-	1	Support Services	1
15	17	Premises	18
8	18	Transport	21
		Supplies & Services	
151	177		426
923	1,190	Net Non Formula-Led Expenditure by Category	1,615
<u>Net Expenditure by Service Area</u>			
59	62	Building Control	81
(190)	84	Planning Control	112
374	441	Planning Support	506
680	603	Policy & Conservation	916
923	1,190	Net Expenditure by Service Area	1,615

OVERSEAS AID & DEVELOPMENT COMMISSION

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
<u>Net Expenditure by Category</u>			
Non Formula-Led Expenditure			
35	30	Pay costs	33
		Non Pay costs	
1	-	Staff Non Pay costs	-
1	10	Support Services	10
2,132	3,180	Third Party Payments	3,806
-	5	Supplies & Services	6
2,134	3,195		3,822
2,169	3,225		3,855

STATES' TRADING SUPERVISORY BOARD

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
<u>Net Expenditure by Category</u>			
1,374	2,213	Operating Income	2,322
Non Formula-Led Expenditure			
1,703	2,093	Pay costs	2,303
		Non Pay costs	
60	74	Staff Non Pay costs	105
703	975	Support Services	1,043
430	198	Premises	239
-	-	Third Party Payments	825
38	29	Transport	38
220	244	Supplies & Services	269
1,451	1,520		2,519
1,780	1,400	Net Non Formula-Led Expenditure by Category	2,500
<u>Net Expenditure by Service Area</u>			
1,440	1,060	Alderney Airport	1,283
340	340	Central Services	392
-	-	Guernsey Waste	825
1,780	1,400	Net Expenditure by Service Area	2,500

ROYAL COURT

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
<u>Net Expenditure by Category</u>			
2,022	1,935	Operating Income	2,186
Non Formula-Led Expenditure			
3,798	3,755	Pay costs	4,170
21	49	Non Pay costs	50
216	245	Staff Non Pay costs	273
231	239	Support Services	105
3	-	Premises	-
5	7	Third Party Payments	10
175	250	Transport	213
		Supplies & Services	
651	790		651
2,427	2,610	Net Non Formula-Led Expenditure by Category	2,635
<u>Net Expenditure by Service Area</u>			
864	880	Bailiff's Office	986
272	391	Client Services	230
1,020	985	Court Services	1,039
271	354	Parliament	380
2,427	2,610	Net Expenditure by Service Area	2,635

Note:

Following implementation of the Property Target Operating Model, a transfer has been made to Corporate Services in 2022 of £220,000 (2021: £220,000).

LAW OFFICERS

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		<u>Net Expenditure by Category</u>	
196	183	Operating Income	188
		Non Formula-Led Expenditure	
5,998	5,871	Pay costs	6,573
		Non Pay costs	
101	125	Staff Non Pay costs	128
228	196	Support Services	202
22	45	Premises	24
-	1	Transport	-
110	145	Supplies & Services	136
461	512		490
-	-	Less funding from the Seized Asset Fund	(200)
6,263	6,200	Net Non Formula-Led Expenditure by Category	6,675

POOLED BUDGETS

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		<u>Net Expenditure by Category</u>	
		Non Formula-Led Expenditure	
492	500	Pay costs	550
		Non Pay costs	
1	-	Premises	-
493	500	Net Non Formula-Led Expenditure by Category	550
		<u>Net Expenditure by Service Area</u>	
493	500	Children and Young People's Plan Multi-Agency Support Hub	550
493	500	Net Expenditure by Service Area	550

GUERNSEY AIRPORT

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
<u>Net Income by Category</u>				
Income				
323	414	276	<i>Advertising, picketing etc</i>	433
209	626	623	<i>Airport development charge</i>	657
306	704	780	<i>Car parking fees</i>	739
1,126	2,175	1,635	<i>Rents</i>	2,285
3,326	6,988	7,180	<i>Traffic receipts</i>	7,338
187	194	190	<i>Recovery from Alderney Airport</i>	203
5,477	11,101	10,684		11,655
Expenditure				
(7,980)	(8,325)	(8,702)	Pay costs	(9,031)
Non Pay costs				
(154)	(242)	(275)	<i>Staff Non Pay costs</i>	(305)
(1,461)	(1,527)	(1,617)	<i>Support Services</i>	(1,799)
(1,292)	(1,454)	(1,512)	<i>Premises</i>	(1,837)
(105)	(138)	(99)	<i>Transport</i>	(146)
(2,734)	(2,682)	(2,722)	<i>Supplies & Services</i>	(2,888)
(5,746)	(6,043)	(6,225)		(6,975)
(8,249)	(3,267)	(4,243)	Operating deficit before depreciation	(4,351)
(1,467)	(1,092)	(1,090)	Depreciation and impairment	(1,092)
(9,716)	(4,359)	(5,333)	Deficit for the year	(5,443)
<u>Net income / (expenditure) by Service Area</u>				
(2,193)	(1,826)	(1,942)	Administration	(2,284)
323	404	267	Advertising, picketing etc	424
(2,306)	(2,353)	(2,598)	Aerodrome Fire Service	(2,537)
(2,636)	(3,223)	(3,307)	Airport infrastructure	(3,596)
(2,326)	(2,772)	(2,874)	Airport security	(3,107)
306	704	779	Car parking fees	739
(4,265)	(4,358)	(4,449)	Navigational services	(4,651)
187	193	190	Recovery from Alderney Airport	203
1,126	2,350	1,888	Rents	2,463
3,535	7,614	7,803	Traffic receipts	7,995
(8,249)	(3,267)	(4,243)	Operating deficit before depreciation	(4,351)
(1,467)	(1,092)	(1,090)	Depreciation and impairment	(1,092)
(9,716)	(4,359)	(5,333)	Deficit for the year	(5,443)

GUERNSEY AIRPORT

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
<u>Capital expenditure</u>				
(279)	(150)	(271)	Miscellaneous capital works	(350)
-	(496)	(304)	IT projects and equipment	(696)
(458)	(970)	(512)	Equipment, machinery and vehicles	(997)
(737)	(1,616)	(1,087)	Routine capital expenditure	(2,043)
(3,642)	(3,256)	(1,459)	Hold Baggage Project	-
3,555	3,256	1,546	Transfer from General Revenue	-
(824)	(1,616)	(1,000)	Net capital expenditure	(2,043)

GUERNSEY HARBOURS

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
<u>Net Income by Category</u>				
8,233	9,764	10,387	Income	10,313
(4,131)	(4,530)	(4,734)	Pay costs	(4,933)
			Non Pay costs	
(32)	(111)	(104)	Staff Non Pay costs	(108)
(18)	(78)	-	Peripheral activities	(14)
(1,413)	(1,171)	(1,910)	Support Services	(1,519)
(1,231)	(2,335)	(1,884)	Premises	(2,526)
(46)	(99)	(44)	Transport	(104)
(423)	(479)	(159)	Supplies & Services	(488)
(3,163)	(4,273)	(4,101)		(4,759)
939	961	1,552	Operating surplus before depreciation	621
(1,124)	(1,300)	(1,436)	Depreciation	(1,300)
(185)	(339)	116	Surplus / (deficit) for the year	(679)

GUERNSEY HARBOURS

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
<u>Net income / (expenditure) by Service Area</u>				
1,967	3,196	3,759	Commercial Port operations	3,282
(18)	861	945	Property	903
555	1,577	1,831	Leisure	1,633
(1,536)	(4,638)	(4,943)	Non-Commercial Port operations	(5,159)
(29)	(35)	(40)	Ships Registry	(38)
939	961	1,552	Operating surplus before depreciation	621
(1,124)	(1,300)	(1,436)	Depreciation	(1,300)
(185)	(339)	116	Surplus / (deficit) for the year	(679)
<u>Capital Expenditure</u>				
(247)	(1,235)	(320)	Miscellaneous capital works	(1,137)
(113)	-	(293)	IT projects and equipment	-
(498)	(820)	(584)	Equipment, machinery, vehicles and vessels	(820)
(858)	(2,055)	(1,197)	Capital expenditure	(1,957)

PORTS HOLDING ACCOUNT

2021	2022	2022		2023
Actual	Original Budget	Probable Outturn		Budget
£'000s	£'000s	£'000s		£'000s
			Operating surplus/(deficit) before depreciation	
(8,249)	(3,267)	(4,243)	Guernsey Airport	(4,351)
939	961	1,552	Guernsey Harbours	621
<u>(7,310)</u>	<u>(2,306)</u>	<u>(2,691)</u>		<u>(3,730)</u>
(176)	(50)	(46)	Investment return and interest	(50)
			Capital expenditure	
(4,379)	(4,872)	(2,546)	Guernsey Airport	(2,043)
(858)	(2,055)	(1,197)	Guernsey Harbours	(1,957)
<u>(5,237)</u>	<u>(6,927)</u>	<u>(3,743)</u>	Total capital expenditure	<u>(4,000)</u>
<u>(12,723)</u>	<u>(9,283)</u>	<u>(6,480)</u>	Deficit for the year	<u>(7,780)</u>
(3,069)	(16,135)	1,585	Balance at 1 January	(3,439)
(12,723)	(9,283)	(6,480)	Deficit for the year before depreciation	(7,780)
17,467	3,256	1,546	Contributions from General Revenue	
<u>(90)</u>	<u>(162)</u>	<u>(90)</u>	Loans repaid	<u>(162)</u>
<u>1,585</u>	<u>(22,324)</u>	<u>(3,439)</u>	Balance at 31 December	<u>(11,381)</u>

GUERNSEY WATER

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
Net income by service area				
Income				
			Water supplies	
3,846	3,928	4,034	<i>Measured</i>	4,271
1,721	1,754	1,784	<i>Unmeasured</i>	1,853
			Wastewater	
6,436	6,664	6,785	<i>Measured</i>	7,294
3,091	3,113	3,167	<i>Unmeasured</i>	3,304
1,301	1,204	1,242	<i>Cesspit emptying charges</i>	1,337
(13)	184	184	<i>Grant from General Revenue</i>	184
343	184	224	Surplus on other trading activities	226
<u>16,725</u>	<u>17,031</u>	<u>17,420</u>		<u>18,469</u>
Expenditure				
			Operating expenses	
(444)	(482)	(513)	<i>Asset Management</i>	(517)
(1,280)	(1,294)	(1,396)	<i>Pumping Stations</i>	(1,467)
(4,014)	(3,721)	(4,283)	<i>Sewers</i>	(4,333)
(336)	(383)	(440)	<i>Tactical Support</i>	(552)
(522)	(443)	(570)	<i>Water Distribution</i>	(639)
(1,734)	(1,572)	(1,718)	<i>Water Production</i>	(1,747)
			Management expenses	
(913)	(909)	(904)	<i>Customer Services</i>	(877)
(1,377)	(1,546)	(1,524)	<i>Management and General</i>	(1,596)
(1,071)	(1,188)	(1,240)	<i>Support Services</i>	(1,313)
(464)	(469)	(457)	<i>Water Quality and Risk Management</i>	(446)
<u>(12,155)</u>	<u>(12,007)</u>	<u>(13,045)</u>		<u>(13,487)</u>
4,570	5,024	4,375	Operating surplus before depreciation	4,982
(4,850)	(5,193)	(4,997)	Depreciation / impairment of assets	(4,800)
20	-	-	Gain on disposal of fixed assets	-
<u>(260)</u>	<u>(169)</u>	<u>(622)</u>	Operating surplus/(deficit) for the year	<u>182</u>
(200)	(376)	(446)	Net interest payable	(368)
<u>(460)</u>	<u>(545)</u>	<u>(1,068)</u>	Deficit for the year	<u>(186)</u>

GUERNSEY WATER

2021	2022	2022		2023
Actual	Original	Probable		Budget
£'000s	Budget	Outturn		£'000s
£'000s	£'000s	£'000s		
			<u>Capital expenditure</u>	
(14)	(40)	-	Land	-
(3,601)	(5,540)	(4,314)	Infrastructure	(4,386)
(59)	(175)	(175)	Buildings	(175)
(233)	-	(59)	Motor vehicles	(189)
(6)	(600)	(316)	Office equipment	(306)
(146)	(215)	(207)	Intangibles	(212)
<u>(4,059)</u>	<u>(6,570)</u>	<u>(5,071)</u>	Routine capital expenditure	<u>(5,268)</u>

GUERNSEY WASTE

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
Net Income by Category				
Income				
Operating Income				
1,840	1,919	1,600	<i>Bag Charges</i>	1,527
2,442	2,604	2,645	<i>Household Fixed Charge</i>	2,780
1,351	1,431	1,370	<i>Commercial Gate Fees</i>	1,511
1,010	1,217	1,250	<i>Mont Cuet</i>	1,483
1,719	1,936	2,762	<i>Inert Waste</i>	2,579
406	314	548	<i>Household Waste Recycling Centre</i>	616
435	490	453	<i>Other</i>	520
<u>9,203</u>	<u>9,911</u>	<u>10,628</u>		<u>11,016</u>
Expenditure				
<u>(455)</u>	<u>(530)</u>	<u>(485)</u>	Pay Costs	<u>(538)</u>
Non Pay Costs				
(5)	(3)	(4)	<i>Staff Non Pay Costs</i>	(4)
(6,811)	(8,046)	(7,541)	<i>Support Services</i>	(8,105)
(329)	(330)	(335)	<i>Premises</i>	(358)
(2)	(2)	(2)	<i>Transport</i>	(2)
(2,207)	(2,308)	(2,703)	<i>Supplies & Services</i>	(2,834)
<u>(9,354)</u>	<u>(10,689)</u>	<u>(10,585)</u>		<u>(11,303)</u>
(606)	(1,308)	(442)	Operating deficit before depreciation	(825)
-	-	442	Grant from General Revenue	825
(1,929)	(1,956)	(1,937)	Depreciation	(1,958)
<u>(2,535)</u>	<u>(3,264)</u>	<u>(1,937)</u>	Operating deficit for the year	<u>(1,958)</u>
(8)	(12)	(26)	Net interest payable	-
<u>(2,543)</u>	<u>(3,276)</u>	<u>(1,963)</u>	Deficit for the year	<u>(1,958)</u>

GUERNSEY WASTE

2021	2022	2022		2023
Actual	Original	Probable		Budget
£'000s	Budget	Outturn		£'000s
£'000s	£'000s	£'000s		
<u>Capital expenditure</u>				
-	(60)	-	IT projects and equipment	-
(15)	(100)	(33)	Equipment, machinery and vehicles	(90)
(15)	(160)	(33)	Routine capital expenditure	(90)

Note:

The Waste Strategy financial model was based on breaking even over its twenty-year timeframe and decreasing volumes of general waste were 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 being incurred. In September 2022, following consideration of a States' Trading Supervisor Board policy letter entitled "Future Waste Charges" (Billet d'État XX, 2022), the States agreed that General Revenue should fund Guernsey Waste's accumulated losses before depreciation of £2.97million for 2019, 2020 and 2021 combined and for General Revenue to fund the forecast trading deficit from 2022 onwards. For 2022, the forecast trading deficit, before depreciation, is £825,000 and provision of this amount has been included in the States' Trading Supervisory Board's Cash Limit.

STATES WORKS

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
<u>Net Income by Service Area</u>				
Income				
1,507	1,516	1,522	Engineering	1,599
3,222	3,090	3,460	Highways	3,815
1,887	1,929	1,969	Land Management	2,067
2,993	2,981	3,141	Sewage Collection	3,465
1,236	1,333	1,102	Stores, Fleet & Garage	1,244
3,584	3,633	3,730	Waste Management Services	4,208
2,309	2,506	2,674	Household Waste Recycling Centre and Waste Transfer Station	2,931
286	326	285	Other	311
17,024	17,314	17,883		19,640
Expenditure				
			Management Expenses	
(1,268)	(710)	(792)	Administration Expenses	(980)
(1,995)	(2,187)	(2,282)	Salaries, wages and superannuation	(2,415)
			Operating Expenses	
(6,894)	(7,087)	(7,305)	Labour	(7,860)
(4,183)	(4,361)	(5,114)	Materials	(5,560)
(515)	(519)	(527)	Transport and plant	(540)
(238)	(269)	(231)	Building maintenance	(237)
(15,093)	(15,133)	(16,251)		(17,592)
1,931	2,181	1,632	Operating surplus before depreciation	2,048
(1,427)	(1,552)	(1,271)	Depreciation	(1,448)
207	20	15	Gain on disposal of fixed assets	25
90	-	-	Fair value movement on investment property	-
801	649	376	Operating surplus for the year	625
124	-	(216)	Net interest receivable/(payable)	-
925	649	160	Surplus for the year	625
<u>Capital expenditure</u>				
(2)	(300)	(665)	Office equipment	(178)
(53)	(600)	(191)	Site developments	(564)
(874)	(1,661)	(287)	Vehicles, plant, tools and equipment	(3,205)
(929)	(2,561)	(1,143)	Routine capital expenditure	(3,947)

GUERNSEY DAIRY

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
Net Income by Service Area				
			Sales	
1,959	2,371	2,123	<i>Dairy products</i>	2,424
6,577	6,685	6,820	<i>Liquid milk</i>	7,191
16	15	15	Sundry income	15
<u>8,552</u>	<u>9,071</u>	<u>8,958</u>		<u>9,630</u>
Expenditure				
			Cost of Sales	
(54)	(44)	(70)	<i>Dairy product ingredients</i>	(67)
(4,439)	(4,528)	(4,700)	<i>Milk</i>	(5,135)
(216)	(150)	(150)	<i>Milk working loss</i>	(150)
(73)	(55)	(100)	<i>Freight</i>	(84)
(602)	(600)	(650)	<i>Packaging materials</i>	(695)
(982)	(1,042)	(1,028)	<i>Production wages</i>	(1,072)
<u>(6,366)</u>	<u>(6,419)</u>	<u>(6,698)</u>		<u>(7,203)</u>
			Expenses	
(25)	(79)	(45)	<i>Advertising and promotion</i>	(80)
(64)	(51)	(65)	<i>Cleaning materials</i>	(72)
(310)	(297)	(366)	<i>Fuel, light, power, water and rates</i>	(439)
(58)	(120)	(58)	<i>General administration costs</i>	(61)
(191)	(191)	(220)	<i>Laboratory expenses</i>	(153)
(42)	(25)	(30)	<i>Motor vehicle expenses</i>	(32)
(45)	(48)	(50)	<i>Other expenses</i>	(52)
(350)	(517)	(534)	<i>Professional fees</i>	(750)
(347)	(450)	(375)	<i>Repairs, maintenance and insurance</i>	(544)
(671)	(699)	(692)	<i>Salaries and wages</i>	(752)
<u>(2,103)</u>	<u>(2,477)</u>	<u>(2,435)</u>		<u>(2,935)</u>
(8,469)	(8,896)	(9,133)		(10,138)
83	175	(175)	Operating surplus / (deficit) before depreciation and interest	(508)
(282)	(326)	(289)	Depreciation / impairment of assets	(321)
<u>(199)</u>	<u>(151)</u>	<u>(464)</u>	Operating deficit for the year	<u>(829)</u>
(24)	(30)	(30)	Net interest payable	(28)
<u>(223)</u>	<u>(181)</u>	<u>(494)</u>	Deficit for the year	<u>(857)</u>

GUERNSEY DAIRY

2021	2022	2022		2023
Actual	Original Budget	Probable Outturn		Budget
£'000s	£'000s	£'000s		£'000s
			<u>Capital expenditure</u>	
(15)	(282)	(247)	Equipment, Machinery and Vehicles	(590)
(41)	(461)	(126)	Miscellaneous Capital Works	(264)
<u>(56)</u>	<u>(743)</u>	<u>(373)</u>	Routine capital expenditure	<u>(854)</u>

Note :

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

SUPERANNUATION FUND ADMINISTRATION

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
<u>Net Expenditure by Category</u>				
			Pay costs	
412	523	424	<i>Established Staff</i>	583
<hr/> 412	<hr/> 523	<hr/> 424		<hr/> 583
			Non Pay costs	
255	215	255	<i>Consultants Fees</i>	265
95	133	83	<i>Support Services</i>	155
<hr/> 350	<hr/> 348	<hr/> 338		<hr/> 420
<hr/> 762	<hr/> 871	<hr/> 762	Total Expenditure by Category	<hr/> 1,003
<u>Capital Expenditure</u>				
27	35	49	ICT System	-
<hr/> 27	<hr/> 35	<hr/> 49	Routine Capital Expenditure	<hr/> -

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

CONTRIBUTORY FUNDS

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
<u>Net Income / (Expenditure)</u>				
<u>by Category</u>				
Income				
190,930	170,000	176,561	<i>Contribution Income</i>	193,640
17,317	-	-	<i>States Grants</i>	-
208,247	170,000	176,561		193,640
Benefit Expenditure				
(163,041)	(166,405)	(165,314)	<i>Social Insurance</i>	(178,145)
(49,224)	-	-	<i>Health Insurance</i>	-
(22,718)	(23,545)	(22,042)	<i>Long-term Care Insurance</i>	(24,500)
(234,983)	(189,950)	(187,356)		(202,645)
Administration				
(2,183)	(2,429)	(2,430)	<i>Pay Costs</i>	(1,815)
(1)	-	-	<i>Staff Non Pay costs</i>	-
(3,814)	(2,560)	(2,560)	<i>Support Services</i>	(3,478)
(14)	(36)	(65)	<i>Premises</i>	(7)
(1)	(3)	(3)	<i>Transport</i>	(1)
(121)	(77)	(47)	<i>Supplies & Services</i>	(89)
(6,134)	(5,105)	(5,105)		(5,390)
(73)	(120)	(120)	Depreciation	(120)
(32,943)	(25,175)	(16,020)	Operating Deficit Before Investing Activities	(14,515)
<u>Net Income / (Expenditure)</u>				
<u>by Service Area</u>				
(31,650)	(33,195)	(26,174)	Guernsey Insurance Fund	(26,021)
(7,444)	-	-	Guernsey Health Service Fund	-
6,151	8,020	10,154	Long-term Care Insurance Fund	11,506
(32,943)	(25,175)	(16,020)	Operating Deficit Before Investing Activities	(14,515)
<u>Routine Capital Expenditure</u>				
-	(200)	(250)	Miscellaneous Capital Works	(200)
(33)	(75)	(80)	Equipment, Machinery and Vehicles	(75)
(1,658)	(2,000)	(900)	IT Projects and Equipment	(1,600)
(1,691)	(2,430)	(1,230)	Net Routine Capital Expenditure	(2,430)

THE LADIES' COLLEGE (Senior School)

2020/2021	2021/2022		2022/2023
Actual	Budget		Budget
£'000s	£'000s		£'000s
<u>Net Income by Category</u>			
Income			
3,326	3,688	Fees	4,019
159	38	Miscellaneous Income	123
1,555	1,365	States Grant	1,251
<u>5,040</u>	<u>5,091</u>		<u>5,393</u>
Expenditure			
10	8	Art	6
8	6	Audit Fee	9
77	102	Books and Stationery	108
313	372	Depreciation	332
48	60	Examination Fees	60
158	117	Equipment and resources	142
112	152	General Administrative Expenses	110
16	17	Laboratory and Design and Technology Expenses	25
75	117	Maintenance of Buildings, Grounds and Equipment	129
24	31	Marketing and Development Expenses	32
27	26	Rates, Taxes and Insurance	32
55	56	Recruitment and Relocation	40
3,758	3,961	Salaries and Wages	4,242
25	45	Sports, conferences, field trips etc.	47
16	20	Staff training	20
93	94	Utilities	101
<u>4,815</u>	<u>5,184</u>		<u>5,435</u>
225	(93)	Revenue Surplus / (Deficit) for the year	(42)
22	10	Fundraising donations received	-
(38)	(40)	Bank Interest payable	(40)
4,481	4,526	Balance b/f from previous year	4,097
<u>4,690</u>	<u>4,403</u>	Balance c/f to next year	<u>4,015</u>